

# FINANCIAL TIMES



**Japan**  
Door closes  
on home loans

Page 8



**European Union**  
What do we  
want it to do?

Edward Mortimer, Page 14



**Broadcasting**  
Hollywood  
on the Nile

Page 4

**Czech Republic**  
Election fever  
comes early

Survey, Pages 23-26

World Business Newspaper

WEDNESDAY NOVEMBER 22 1995

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## C&W chairman and chief executive go in power struggle

Cable and Wireless chairman Lord Young of Graffham and chief executive James Ross left the UK company after two days of talks failed to resolve a bitter power struggle. The two were asked to leave the company "with immediate effect" but C&W refused to clarify whether they had been asked to resign or had been fired. Brian Smith, chairman of the British Airports Authority and a non-executive director of C&W until June 1995, has been appointed non-executive chairman. Page 17; Editorial Comment, Page 16; Lex, Page 18; Japanese expansion, Page 22.

**China to try leading dissident:** China said it will try its leading dissident Wei Jingsheng on charges of "engaging in activities in an attempt to overthrow the Chinese government", which carry the death penalty, in a move which seems certain to affect Sino-US relations. Page 16; India backs WTO entry, Page 8.

**Dow Chemical group in Argentine deal:** A consortium led by Dow Chemical won control of a significant proportion of Argentina's ethylene and PVC production, through the \$367.5m purchase of government stakes in two chemical companies. Page 17.

**Global audience for royal interview:** The Frank interview given by the Princess of Wales to the British Broadcasting Corporation was compulsive viewing for royal watchers across the globe - in Australia, it was the most watched programme in television history while more than 500,000 people watched it in the Netherlands. Page 16; Power demand surges, Page 11.

**De La Rue warns of profit fall:** Shares in UK banknote and specialist printer De La Rue fell more than 20 per cent after it reported half-year profits down at \$69.1m (\$106m), from \$72.8m, and warned full-year profits would fall. Page 17; Lex, Page 22.

**EU meat hormone ban reviewed:** More than 80 international scientists will meet in Brussels next week to discuss the European Union's ban on hormones in meat, opening the way to a possible review of the policy. Page 5.

**BAT, the international tobacco group, has agreed to pay \$88m for a 65 per cent share of the state-owned Augustow tobacco plant in Poland. Page 18.**

**González pushes for EU enlargement:** Spanish prime minister Felipe González called on European Union leaders to accelerate enlargement to Central and Eastern Europe. Page 3.

**Stratton wins Czech paper battles:** US investment company, Stratton, secured control of the management board of Czech paper producer Sepp, at the centre of the Czech Republic's first big corporate takeover battle. Page 18.

**How as Perea forms new government:** Israel's acting prime minister Shimon Peres formed a new government, sparking controversy by taking the defence ministry himself. Page 6.

**Montupet, the French car components company, is to create 1,360 new jobs over the next six years in a £142m (\$221.5m) expansion of its Belfast plant. Page 10.**

**West found guilty of three murders:** A British jury found Rosemary West (left) guilty on the first three of 10 murder charges she faced, including the killings of her stepdaughter Charmaine, her daughter Heather and an 18-year-old lodger in the Gloucester, west England, house she shared with her husband Frederick, who hanged himself in January in jail where he was awaiting trial. The jury is continuing deliberations on the other charges.

**Cambodian prince charged:** Prince Norodom Sihanouk, half-brother of Cambodia King Norodom Sihanouk, was charged with plotting to assassinate a political rival. Page 3.

**Gold producer to shed 3,450 jobs:** The world's biggest gold producer, Freegold mines of South Africa, will cut 3,450 jobs in the latest stage of an industry-wide restructuring. Page 6; Comment, Page 27.

**India to change Bombay's name:** The Indian cabinet decided to change the name of its financial centre, Bombay, to Mumbai following demands to restore to the city's ethnic name from the westernised one. Page 8.

STOCK MARKET INDICES			
New York Composite	5,008.74	(+25.85)	
Dow Jones Ind. Av.	5,008.74	(+25.85)	
NASDAQ Composite	1,027.47	(-2.00)	
Europe and Far East			
UK 100	1,872.90	(+8.47)	
FTSE 100	2,205.06	(+13.24)	
FTSE 100	1,872.90	(+8.47)	
FTSE 100	2,205.06	(+13.24)	
FTSE 100	1,872.90	(+8.47)	
FTSE 100	2,205.06	(+13.24)	
US LUNCHTIME RATES			
Federal Funds	5 1/4%		
3-month Treasury Bill	5.48%		
Long Bond	10 1/2%		
Yield	6.25%		
OTHER RATES			
UK 3-month interbank	6 1/4%	(63/4)	
UK 10 yr Gilt	10 1/2%	(10 1/2)	
France 10 yr Gilt	10 1/2%	(10 1/2)	
Germany 10 yr Bond	10 1/2%	(10 1/2)	
Japan 10 yr JGB	112.861	(112.861)	
NORTH SEA OIL (Augs)			
Brent 15-day (Jan)	\$16.75	(16.82)	
Amst 15-day (Jan)	\$16.75	(16.82)	
GOLD			
New York Comex	\$385.4	(387.1)	
London	\$385.4	(387.1)	
Amst 15-day (Jan)	\$385.4	(387.1)	
DOLLAR			
New York Comex	\$1.058		
London	\$1.058		
Amst 15-day (Jan)	\$1.058		
STERLING			
New York Comex	\$1.058		
London	\$1.058		
Amst 15-day (Jan)	\$1.058		

## Agreement is reached after secretive negotiations looked close to a breakdown Deal to end Bosnia war is agreed

By Bruce Clark and Laura Silber in Dayton, Ohio.

Leaders of Bosnia, Serbia and Croatia yesterday initiated a comprehensive US-sponsored plan designed to bring peace to the region after almost four years of brutal conflict.

The plan to re-establish a Bosnian state, divided between a Serb zone and a Muslim-Croat federation was agreed at a US air force base after three weeks of intense and secretive negotiations which were looking close to breakdown till the last moment.

US President Bill Clinton said that the "people of Bosnia finally have a chance to turn from the horrors of war to the promise of peace". Mr Clinton now faces the challenge of persuading the US Congress to endorse the sending of about 20,000 US soldiers to Bosnia as part of a Nato peace force.

The negotiations at the air base in Dayton, Ohio, were revived from virtual collapse yesterday after Mr Alija Izetbegovic, the Bosnian president, was persuaded to lift his objections to a deal that his Serbian and Croatian counterparts had broadly accepted.

"There was snow in the morning and sun at midday", said Mr Carl Bildt, the European Union mediator on Bosnia, in reference to the final hours of negotiation early yesterday.

The accord initiated by Mr Izetbegovic, by Mr Slobodan Milosevic, Serbia's president, and Mr Franjo Tudjman, their Croatian counterpart, calls for free elections throughout Bosnia next year, freedom of movement and the punishment of war criminals.

Under the accord, the new Bosnian state will have a central government authority, representing all ethnic groups and responsible for external policy, monetary policy and issues of citizenship.

Diplomats said that if all went to plan, the agreement would be formally signed at a ceremony in Paris within two weeks, and Nato would start deploying its peace implementation force a few days after that.

The White House said that President Clinton would attend the signing ceremony.

Mr Clinton promised US legislators yesterday that he would review Nato plans for a peace-keeping force carefully, and refer them to Congress before allowing US troops to be sent. This process of US consultation, whose outcome is far from certain, was expected to take place before the Paris conference.

Diplomats at the Dayton talks said it remained unclear how willing the Bosnian Serb forces would be to retreat behind the partition lines envisaged by the agreement, which allocates 49 per cent of Bosnia's territory to Serb administration.

Another shadow over the peace process was the sharp division which emerged at the Dayton talks within Bosnia's mainly Muslim leadership. Some Bosnian officials have suggested that they would rather have US arms and money than US ground troops in their country.

Mr Muhamed Sacirbey, the Bosnian foreign minister who complained a few days ago that a "bad settlement" was in prospect, contacted several news organiza-

'The presidents of Bosnia, Croatia and Serbia have made a historic and heroic choice. They have heeded the will of their people.'

President Bill Clinton

'This peace agreement should give Europe a new chance to dedicate itself more fully to the important task of speeding up the process of integration across the entire continent.'

UN mediator Thorvald Stoltenberg

The deal 'brings to a close the biggest armed conflict in post-war Europe. The basis for lasting peace has been laid.'

German foreign minister Klaus Kinkel

On sending US troops to Bosnia: 'I am not prepared to vote yes but I would discourage any member [of the House] from automatically voting no.'

US House of Representatives Speaker Newt Gingrich

tions early yesterday to say the peace process had broken down irreparably.

The final bone of contention - the status of the town of Brcko which lies on the route between Belgrade and Serb-held Bosnia - was eventually referred to arbitrators; diplomats said disputes over this issue could still reignite.

US officials said that in keeping with earlier promises to the parties, they would move rapidly to secure the suspension of UN economic sanctions against Serbia and the lifting of the UN

arms embargo against Bosnia.

Bosnia has insisted on clear promises of military aid from the US before agreeing to the lifting of the economic stranglehold of Bosnia. However, European diplomats said yesterday they were still worried that large US arms deliveries to Bosnia could destabilise the region.

President Milosevic of Serbia praised the deal, saying the time had come for economic recovery and co-operation.

He said it meant economic sanctions against rump Yugoslavia would be suspended.



President Bill Clinton announces the Bosnia peace deal during a press conference in the White House rose garden yesterday. Picture Review

## Euro-MPs back ban on 'cold calling' in EU

By Emma Tucker in Brussels and Diane Summers in London

A ban on telephone "cold calling" throughout the European Union was yesterday approved by Euro-MPs, to the consternation of direct marketing and distance selling organisations.

In a move designed to spare people from what MEPs consider to be irritating telephone calls, a key parliamentary committee voted to make prior consent from consumers obligatory before a seller can approach them by telephone.

The proposed ban also applies to communications by e-mail, raising fears among publishing organisations that the development of the information society in Europe could be damaged.

The vote will have particularly strong repercussions in the UK, where telephone sales are highly developed, but will please authorities in Germany where cold calling remains outlawed.

The Direct Marketing Association, the UK trade body representing most large organisations using telephone sales, said selling over the phone, whether to a "cold" prospect or even an existing customer, would become virtually impossible.

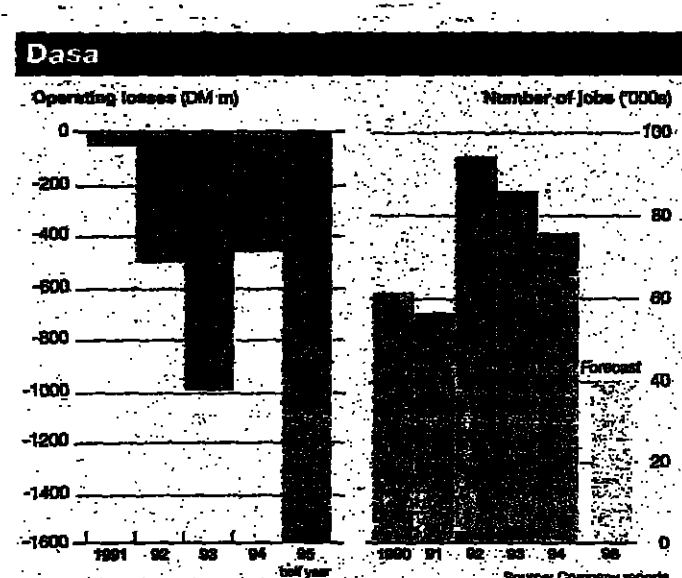
"Telemarketing is a growing industry which employs 800,000 people in the UK and has an estimated expenditure of £10.4bn. If this amendment is accepted, a considerable percentage of these jobs would be lost," said the DMA.

The amendments have yet to be approved by the full parliament. However, it is rare for the parliament to vote against the recommendations of its key committees. The vote is expected to take place in early December.

The issue will then return to the council of ministers, which could reject the parliamentary

Continued on Page 16

## Dasa faces action over plan to sack 9,000



By Wolfgang Münchau in Frankfurt

Daimler-Benz Aerospace (Dasa) faces the prospect of widespread industrial action after a decision yesterday to go ahead with plans to dismiss almost 9,000 workers.

Dasa hopes to end a long phase of crippling losses, which stemmed from overcapacity and the strength of the D-Mark, through a package of restructuring measures known as Dolores - or dollar-low rescue.

The heads of Dasa's work-

cils are due to meet shortly to discuss a response to the plans. It is expected within the company that industrial action is now almost inevitable.

Daimler-Benz, Europe's largest industrial company, said yesterday its main board had "basically passed" the Dolores programme, which was approved by Dasa's board on Monday. Under the measures, Dasa will close or sell three factories and reduce its workforce by 8,500 staff by 1998.

Its workforce will shrink to just over 40,000 excluding Fokker, the

Dutch aircraft company, and Eurocopter, the Franco-German helicopter joint venture.

The decision to endorse Dolores without significant modifications underlines the company's determination to stick to its tough position in this industrial dispute. Most of the job cuts will hit Dasa's two large Airbus plants in Hamburg and Bremen.

Daimler-Benz has come under heavy fire from investors after announcing a six-month loss of

Continued on Page 16

## Russian companies strike barter deals

By Chrystie Freeland in Moscow

Workers in the Siberian city of Barnaul face four more months of sub-zero temperatures, but at least they can count on the comfort of lit stoves and cigarettes - the Barnaul Match Factory, one of the city's biggest employers, yesterday paid each worker 5,000 boxes of matches in lieu of wages.

The reversion to barter deals in Barnaul is part of a wider national trend. Thousands of factories struggling to survive in the harsh economic climate created by the Kremlin's austere policies are paying workers in kind, or not paying them at all.

This shift has prompted some Russian businessmen to warn that, instead of progressing from communism to capitalism, the country is sinking back to a primitive barter economy.

For enterprises like the match factory, barter is the only immediate solution to a cash-squeeze which left the plant unable to buy cardboard packing to continue production and with no

money to pay wages. But Barnaul's customers face a cash shortage as well, leaving the factory with vast stocks of unsold matches. So, when managers sent workers on two weeks' unpaid leave, they gave each the matches in lieu of wages.

The workers are likely to sell them in local markets, where they are expected to fetch around Rb500,000 (\$100), close to the average monthly wage.

Thousands of miles to the east, at Yevdya, a once elite defence dockyard on the Pacific coast which repairs nuclear submarines, wage packets have also become a thing of the past. The yard has fallen on such hard times that instead of a salary, workers receive a daily bread allowance of 700g per family.

The Kremlin's tough economic programme has been particularly painful for military enterprises because, in its efforts to meet strict budget deficit targets agreed with the International Monetary Fund, the government

Continued on Page 16

### CONTENTS

News	23	Features	15	Companies	22	Gold Markets	27	Survey	23-26
European News	23	Letters	14	Int. Companies	19-20	Bank Services	28		
International News	6	Observer	15	Int. Cap Mkts	25	Money Markets	29		
Asia-Pacific News	8	Business & Environment	12	Markets		Recent Issues	34		
American News	5	Arts	13	Commodities	27	Share Information	30-31		
World Trade News	4	Are Gains	18	FT America	34	UK News	34		
UK News	10-11	Crossword	27	FTSP-A Mid Index	38	Wall Street	35-36		
Weather	19			Foreign Exchange	20	Bourses	35-36		
Lex	18								



## NEWS: PEACE DEAL IN DAYTON

# Little to counter the demons of disintegration

Precedents – from the Lebanon to Cyprus and the old Yugoslavia – suggest the kind of state envisaged can only work through the application of enormous pressure, write Bruce Clark and Laura Silber

The loosely structured Bosnian state whose creation is envisaged by yesterday's deal will not be the first effort to bind together several bitterly antagonistic communities in a ramshackle political entity.

The precedents – ranging from the elaborate power-sharing arrangements of Lebanon to the failed "bi-national" state of Cyprus – are not encouraging: they suggest that nothing can make such a state work except the application of enormous pressure – military, diplomatic and economic – to counter the demons of disintegration.

It is an open question how effective the central government of Bosnia – a kind of umbrella body exercising loose

authority over the Serb zone of the republic and a Croat-Muslim federation – will prove to be.

Like Yugoslavia in its final years of existence, the new Bosnia will have a presidency that rotates between the republic's rival communities. But the rotating chairmanship of the Yugoslav state, which eventually collapsed, depended for its effectiveness on an authoritarian Communist party and secret police determined to keep the country together.

Bosnia itself had a collective

presidency, designed to balance the interests of its rival ethnic groups, under the Yugoslav system. But the nationalist politicians who were elected to that institution by Bosnia's one and only multi-party election – in 1990 – later became the protagonists in the nightmarish war that began in 1992.

The most ruthless of those power-brokers, at least on the Serb side, will be knocked out of the political arena by the Dayton agreement's insistence that the tribunal in The Hague should pursue its cases against those it suspects of having

committed war crimes. But it remains unlikely that, after three and a half years of war, fresh elections would throw up a new generation of politicians who trust each other more.

On the positive side, the Dayton agreement provides for the new Bosnia to have a single central bank and monetary system. This is likely to be one of the main channels for the soft loans and reconstruction aid which the international community has tentatively promised. During the final years of the Yugoslav state,

one of the few remaining functions of the central government was to act as a funnel for soft western credits – and once these dried up, the break-up of the state was accelerated.

The viability of the new Bosnia will also depend on the extent to which foreign governments are prepared to use the central bank as the channel for aid – and to insist that the proceeds be shared out fairly between the communities. Several western politicians have said they are reluctant to see any aid channelled to the Bosnian Serbs, whom they see as

mainly responsible for the destruction of the war.

Perhaps the most optimistic provision of the Dayton agreement is the suggestion that refugees should be allowed to return to their homes. The war has transformed Bosnia from a complex cultural mosaic into a war-scarred and embittered wasteland whose regions have become ethnically compact and "pure" – in the grim language of the ethnic cleansers. It is hard to imagine citizens of one group living safely under the authority of local warlords who represent a rival group.

Even between the Croats and Muslims, who are notional allies against the Serbs, there has been virtually no progress towards a mutually agreed return of refugees, in spite of massive international pressure and the availability of generous resettlement aid.

Bosnian President Alija Izetbegovic and Croatian President Franjo Tudjman recommitted themselves at an earlier ceremony in Dayton to the principle that refugees should be allowed to go home – but moves to implement that deal have been negligible.

About half Bosnia's pre-war population of 4m has been displaced by the war, and it seems likely that many of them will have to settle for financial compensation rather than preserve the hope of eventually going home.

In practice, only the presence of overwhelming military force would persuade the local warlords in, for example, the Serb-held lands of eastern Bosnia to allow Muslims who fled earlier "cleansing" campaigns to return to their place of origin.

If they do manage to return, and their homes have not been reduced to rubble, many of them will find Serb refugees from elsewhere in Bosnia and Croatia living there.

## US TUSSE IN PROSPECT

### Now Clinton must convince the Congress

By Jurek Martin in Washington

President Bill Clinton now has a two-fronted fight on his hands with Congress. It is hard to say which will prove the tougher: agreeing on a budget, or preventing the legislature from trying to block the deployment of up to 25,000 US troops as part of Nato's Bosnia force.

At his press conference yesterday, Mr Clinton seemed to buy some time for the Bosnian part. "A period of weeks" would elapse before the signing of the final peace agreement which would then "trigger" the Nato mission.

Consultation on the details of that mission, including its normally "robust" terms of engagement, would also have to wait until he had himself agreed to it. But he noted that the operation would be under direct US command.

The president tried to contact the congressional leadership before his announcement (he only managed to get through to Congressman Newt Gingrich, the Speaker) and devoted much of his statement to making the generalised case for US participation.

Now that the three Balkan leaders had reached their agreement, "we must help them make it work". The US, as Nato's leader, "must play a central role". The alternative was for the US public to watch more years of carnage on its TV screens each night.

He also made it clear that, although he wanted to "hear from" Congress and hoped for its support, he did not believe the legislature had the authority to stop a president deploying troops overseas.

That will not be easy. There is little doubt that political and public opinion on the left and right does not currently favour a US military presence in Bosnia. Last Friday, after a bitter debate that nearly erupted into a physical brawl, the House passed by 243-171 a motion requiring prior congressional approval for such an operation.

That result was not as bad as it looks for the president. It was well short of the two-thirds needed to override a

veto and it even represented an improvement on a 315-103 vote in the House on October 30 warning the Dayton negotiators that they should not count on US military involvement.

A comparable motion may not even carry the Senate. However, Senator Bob Dole, the majority leader, reiterated this week that Mr Clinton still had not made a convincing case for a US deployment.

Mr Gingrich said he looked at the prospect "sceptically but with an open mind", promised hearings next week and even offered to send a Congressional delegation to Bosnia for a first-hand inspection.

Mr Dole's presidential ambitions (he is Mr Clinton's probable opponent next November) could persuade him to try to block deployment and revert to the policies that he has long favoured. These are essentially an end to the arms embargo and the recreation of a true Bosnian multi-ethnic state by military means, though with only indirect US involvement.

But he may also need to calculate the consequences of such a course of action for his foreign policy should he become president. He may not wish to be blamed, in the upcoming campaign or after, for the deterioration of transatlantic relationships and European security that, as Mr Clinton said again yesterday, would be the consequences of a Nato bereft of US leadership.

A third element in the president's struggle for approval is public opinion. Having disappeared from the airwaves for several weeks, rightwing talk radio is once again consumed with Bosnia. Mr Oliver North, now a programme host, declared this week that "president Pinochio's great Balkan adventure" was solely motivated by politics and had to be resisted at all costs.

But even he acknowledged that the public tended to rally around a president when US soldiers were at risk overseas. Mr Clinton will never win over the former architect of Iran-Contra, but the right arguments and enough time just might work on Congress.

## POSAVINA CORRIDOR

### Last land obstacle pushed aside

By Laura Silber in Dayton

To Bosnian Serb propagandists it is the lifeline of their nation. To the Bosnian government it is a deadly challenge to its hopes of building a unified state. To negotiators at Dayton it was the last obstacle to yesterday's peace deal.

It is called the Posavina corridor. It follows the fertile Sava river valley, Bosnia's frontier with Croatia, and it is the issue over which a whole series of previous attempts to make peace in former Yugoslavia have collapsed.

The 30km strip of land, about 7km wide at its narrowest point, was carved out by Serb troops in the first six months of the war as a link between Serbia proper and Serb-held lands in Bosnia and Croatia.

The Serbs claim to have seized it on June 28 1992, the anniversary of two significant events in their history – the assassination of Archduke Franz Ferdinand in Sarajevo in 1914 which led to the First World War, and the Battle of Kosovo, when the Turks conquered the Serbs in 1389.

The Bosnians, suspicious of

#### Bosnia-Herzegovina: main provisions of the US peace plan



● Preserve Bosnia as a single state within its present borders. The state would be made up of two parts: a Bosnian-Croat Federation and a Bosnian-Serb Republic, with a "fair distribution of land between the two".

● The capital city of Sarajevo will remain unified. It will have a "collective" central government, including a rational parliament, the presidency and a constitutional court, with responsibility for foreign policy, foreign trade, monetary policy, citizenship, immigration and other important legislation.

● The presidency and the parliament will be chosen through free, democratic elections held under international supervision.

● Refugees will be allowed to return to their homes. People will be able to move freely throughout Bosnia and the human rights of every Bosnian citizen will be monitored by an independent commission.

● An international force will be deployed to supervise the population of Bosnia to give them confidence that each side will live up to its agreements. Mr Clinton said: "Only Nato can do that job, and the US, as Nato leader, must play an essential role in this mission."

corridor to be created.

Town after town has been devastated in battles for control of the strategic route. Serb forces destroyed mosques and Catholic churches in an attempt to erase all traces of the Muslims and Croats who lived in the

region for centuries until they were driven out in 1992.

For Belgrade, the corridor is a guarantee that Serb communities outside Serbia can be sustained. The term "koridor", at first rejected as foreign by Bosnian Serb leaders, has entered modern Serbian folk-

lore. Songs and poems have been dedicated to it.

President Slobodan Milosevic wanted the tenuous land-link to be widened to up to 20km to cement the Serbs' hold over northern Bosnia and secure an air corridor between Belgrade and western Bosnia.

## VIEW FROM SARAJEVO

### Relief but little joy in Bosnian capital

By Harriet Martin in Sarajevo

In the icy streets of Sarajevo last night, there was some relief but little joy that the talks in Dayton had reached a positive conclusion.

For most Sarajevans, knowledge that the US agreement upheld the *de facto* three-way carve up of their country, tasted bitterly of defeat.

Bosnia's leaders came to accept that there could be no peace unless they sacrificed their goal of a united Bosnia, but many in the capital believe this to be a short-term solution. They expect that war will return before long.

Ljilja Hodzic, a 28-year-old engineering student, said: "Those who signed this agreement were bullied into it. I don't believe that this settlement will bring freedom or

Serbia's President Slobodan Milosevic said yesterday that economic sanctions against the former Yugoslavia would be suspended immediately and lifted in due course as a result of the peace deal. The time lag between the two stages would be a formality necessary to calm tensions in Bosnia, writes Paul Wood in Belgrade.

Once liberated from sanctions, he said that his country could look forward to a period of dynamic economic and social development. "Our aim is integration into Europe and the world – equal co-operation with everyone," he said.

Peace. Nato will only be here for a year. And what will happen when they leave?

"It just means before long, maybe a year or two, the war will start again."

People in Belgrade had been looking forward to a lifting of sanctions as the main prize of the peace negotiations. Inflation has started to take off and is now running at 10 per cent a month, according to official figures.

There was no reaction last night from the Bosnian Serb leader, Mr Radovan Karadzic, who will have to step down under the terms of the deal as an accused war criminal.

Reports, so far unconfirmed, in the Belgrade media say he has reached an understanding with President Milosevic to go into quiet retirement in return for not being extradited to the Hague.

Azra Kalajovic, 63, who has been made a refugee twice, now lives with her sister in Sarajevo, where a third of the population are refugees.

She said: "I'm very sorry about this agreement. It's just the old deal between Serbia and Croatia to divide our country between them. Whatever they say, the refugees can't go back to their homes. The Serbs have got everything they wanted."

Standing in the sub-zero temperatures waiting for a tram, Hajro Kozaric, 64, was happy peace had come at last. "The war has gone on too long and too many people have been killed. It's certainly not a good peace, and I don't know how long it will last. But at the moment perhaps we couldn't have hoped for more than this."

## LESSONS FOR EUROPE

### European Union states forced to confront the limits of action

The US-brokered peace settlement in Bosnia is a sobering lesson in the exercise of power for the European Union. Without the intervention of the Americans, a deal between the Serbs, Croats and Bosnian Muslims would never have been possible. In the end-game, the Europeans were relegated to bit-players in their own backyard.

"Let's face it," said a senior European diplomat yesterday, "the Americans stole the issue from under our noses."

The sidelining of the Europeans is galling for those who believed that history was beckoning when the crisis in former Yugoslavia first erupted in 1991. Mr Jacques Pösch, Luxembourg foreign minister, spoke for many when he declared that the crisis signalled the "hour of Europe".

Arguably, a solution to the conflict might have been reached in the spring of 1993 had the Clinton administration backed the Vance-Owen peace plan put forward under the auspices of the EU and the United Nations. Indeed, the US plan is no better, and in some cases worse, than Vance-Owen in rewarding Serb aggression at the expense of the Muslims.

But such arguments ignore the fact that it was the US, not

the EU, which finally broke the diplomatic stalemate in the summer of 1995. The serious diplomacy took place not inside EU institutions in Brussels, but in Washington and the peripatetic Contact Group comprising the US, Russia, France, Germany and the UK, and the European Commission.

#### Lionel Barber on how the 'hour of Europe' came and went

Only the US had the political and military muscle to coerce the parties to a settlement. Crucially, however, the extent of US commitment in the follow-up, through the dispatch of US troops as peacekeepers to enforce the settlement, remains uncertain.

Thus, the Bosnian crisis offers several important lessons for the Union as it prepares for next year's conference to review the Maastricht treaty and its ambitions for a common foreign and security policy.

● At heart the EU approach was defensive, aimed at containing the conflict and providing humanitarian aid.

The British were always ambivalent about military

involvement, though they contributed generously to the UN peacekeeping force. France, a fellow contributor, pressed at times for a more aggressive approach; but its natural partner, Germany, was hindered by its own constitution, an unhappy history of involvement in the Balkans, and a

mission is not trusted by the member states nor does it have the capacity and experience in political military affairs.

In the end, the US was more successful than the Europeans in pursuing a strategy in the Balkans. Washington's usurpation of the EU in brokering a resolution of the dispute between Greece and the former Yugoslav republic of Macedonia drove home the point, as did its role in balancing the influence of pro-Serb Russia.

● Finally, the Bosnian crisis may have confirmed the limits of a common foreign and security policy for all 15 members of the Union. Britain, partly to assuage Eurosceptics in the governing Conservative party, is pressing the case for selective co-operation rather than following the more coercive German approach of majority voting to attain a common policy. Bosnia may have been a premature test for the Europeans, but it defined a line between those able and willing to put troops in the line of fire and drew Britain and France more closely together in defence co-operation.

Having played second fiddle to the US in the peace talks, the EU is pressing for a lead role in post-war reconstruction as well as establishing political



French UN peacekeeper prepares a convoy of vehicles to collect food for Sarajevo yesterday

and trade relations with the former Yugoslav states.

The EU initiative, which would complement Nato-led plans to enforce the peace settlement, is viewed in Brussels as a litmus test of the Union's capacity to wield influence in the Balkans. But, even in this area, internal squabbling has hurt the EU cause.

Mr Carl Bildt, the special EU envoy, also became embroiled in a row with Mr Hans van den Broek, the external political affairs commissioner, over their respective roles and post-war strategy. Mr Bildt, supported by Britain and France, called for a new set of accords

between all the states of the region not covered by "Europe agreements" – the accords with central Europe which offer the perspective of future EU membership.

Without these so-called "Balkan agreements", Mr Bildt warned that the different countries would carve out their own paths to Brussels, undermining efforts at regional co-operation and increasing the chances of attempts to create a Greater Croatia, a Greater Serbia or a Greater Albania.

Yet Mr van den Broek preferred a more traditional Brussels mix of partnership and co-operation agreements with

individual countries which put the Commission in the institutional driving seat. A compromise is likely which will cover provisions on human rights and democracy as well as new trade and political ties. The accords would also complement the immediate task of resettling refugees and repairing infrastructure.

A final test for the Europeans will be how much money they are prepared to contribute to the multilateral reconstruction package. Initial cost projections range between \$4bn to \$6bn; but negotiations have barely begun on the burden-sharing.

One example is the summit of the former Yugoslavia's political leaders, which had been planned to take place in Moscow on October 31. (The meeting was announced during President Boris Yeltsin's visit to New York in October as a means of smoothing Russian feathers ruffled by Nato airstrikes against Serb positions earlier in the year. Russian diplomats hailed it as a critical event in the effort to reach a settlement.)

But when Mr Yeltsin's heart attack led to its cancellation, US diplomats offered quiet assurances that the Dayton negotiations were the only ones that really mattered. For Russian officials, yesterday's deal has been an unwelcome reminder that their own attempts at summitry were superfluous.

Paradoxically, although the Bosnian crisis has been one of the clearest signs of Russia's waning international muscle, it has also offered a pretext for a return to some of the worst anti-western rhetoric heard in Moscow since the end of the cold war.

Nato airstrikes against Serb positions, which many analysts have credited with clearing the way for yesterday's peace deal, provoked a virulent reaction in Russia. Senior leaders described them as "genocide" and Mr Yeltsin warned that they could lead to a new "cold war" in Europe.

For the extreme nationalist opposition, the Bosnian crisis offered an opportunity for even more lurid anti-western allegations. In a recent interview Mr Vladimir Zhirinovskiy, Russia's most flamboyant ultra-nationalist, denounced the Bosnian crisis as "a cruel example of western aggression, aimed at destroying an economic opponent. Today, Yugoslavia's holiday resorts are empty and, instead, people go to French and Italian ones. Instead of drinking Yugoslavian wine, people drink French and Italian wine."

Mr Zhirinovskiy is alone in his view that the war in the former Yugoslavia is the work of French and Italian hoteliers, but his broader conclusion that "the war is a wider attack on orthodoxy; now the west is attacking Serbia, tomorrow it will be Russia" is shared by many Russian politicians and much of the Russian public.

Nonetheless, despite the unwelcome implications for their country's role in the world, Russians may eventually reap solid economic benefits from the Dayton deal. Russia, which claims to have suffered billion dollar losses because of the embargo on trade with Serbia, could be one of the winners if normal economic life is restored in the former Yugoslavia.



## NEWS: EUROPE

## EUROPEAN NEWS DIGEST

## Walesa claims electoral fraud

President Lech Walesa's campaign team is hoping to have the result of Poland's presidential election reversed on the grounds of fraud by supporters of Mr Aleksander Kwasniewski, a former communist who won by a 3 percentage-point margin in Sunday's poll.

Mr Boguslaw Kowalski, who was Mr Walesa's campaign spokesman, said yesterday that "we have reason to speak of election fraud", adding that he would be lodging an appeal to the Supreme Court. Mr Kowalski told the Reuters news agency that he had evidence that Kwasniewski supporters in an electoral commission in Warsaw had "stuffed ballot papers into voting urns".

He also planned to claim that the election should be nullified because Mr Kwasniewski had claimed to have completed a university education while in fact he had been crossed off the list of students at Gdansk university in his fifth year. When dealing with complaints of this kind in the past, the Supreme Court has ruled that the result of elections could be nullified only if proven fraud had affected the results. Mr Kwasniewski won a 51.73 share of the poll, a majority of more than 600,000 voters.

Christopher Bobinski, Warsaw

## Turkish PM to talk with Major

Mrs Tansu Ciller, Turkey's prime minister, will meet Mr John Major today to discuss bilateral issues, regional and security matters and Turkey's attempt to conclude a customs union with the European Union. The European Parliament is to debate ratification of the accord next month and Turkey is lobbying EU governments to ensure a positive vote. Although the Strasbourg parliament is slowly moving in favour of ratification, many MEPs still have deep reservations over Turkey's human rights record.

The Socialist group is the largest bloc in the parliament and Mrs Ciller will also meet Mr Tony Blair, leader of the Labour party, to ask him to press Turkey's case in Strasbourg. The Spanish socialist government, currently holding the revolving EU presidency, has already come down firmly on Turkey's side. Mrs Ciller argues that customs union will bind Turkey closer to the west, strengthening its secular, democratic and free market systems. Rejection would further strengthen the country's growing nationalist and Islamic fundamentalist movements.

John Barham, Ankara

## French students take to streets

Thousands of French university students attended demonstrations in Paris and a number of other cities yesterday in the first of a series of strikes set to hit the government this week.

The protests came just ahead of an announcement expected today by Mr François Bayrou, the education minister, of his "emergency plan" to redress imbalances in the higher education system during 1996. The students have been calling for increased funding and a reduction in the extreme variations in resources between colleges around the country.

Their action yesterday came ahead of widespread calls for strikes on Friday that are likely to severely affect services on the national rail network and public transport in Paris and other cities. The country's airlines are likely to be affected and many newspapers based in the capital may also not be available on the day.

The Force Ouvrière union and the communist-led COT have led calls for strikes in reaction to proposals unveiled last week by Mr Alain Juppé, the prime minister, to reform the country's deficit-generating social security system.

Andrew Jack, Paris

## Eurostar extends cheap fares

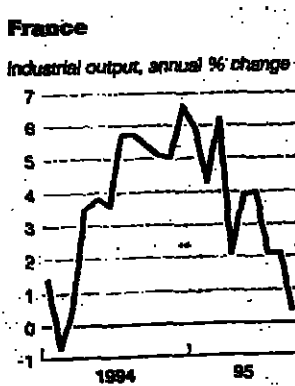
Eurostar, operator of the cross-Channel rail link, yesterday announced an additional daily service between Paris and London from early next year and an extension of promotional fares until March.

The French railways, SNCF, said Eurostar would increase the number of daily trains from 11 to 12 between London and Paris from January. It also said it was maintaining the price of its cheapest return between Paris and London at FF594 (£77) until March 28 next year. The ticket price, initially due to continue until December 10, brought Eurostar fares to slightly below those offered by the airlines.

Andrew Jack

## ECONOMIC WATCH

## French industrial output falls



French industrial output fell in September by 1.8 per cent from its July-August level, the Insee statistics agency reported yesterday, providing further evidence of the slowdown in French economic growth. In the same month, manufacturing output, a slightly narrower measure which excludes energy and food, dropped by 2 per cent over its July-August level. The September decline was broadly-based, affecting intermediate industrial inputs as well as finished consumer goods. Insee experts said industrialists appeared to be drawing down their stocks and slowing production in the face of signs of slowing consumption.

David Buckton, Paris

■ EU seasonally adjusted industrial production rose 1 per cent in the three months to August from the previous quarter, the Eurostat statistical service said.

■ Dutch seasonally adjusted manufacturing production rose 1.2 per cent in September compared with August.

■ Switzerland's seasonally adjusted trade surplus narrowed to SF173.2m (£97m) in October compared with a revised deficit of SF148.7m in September.

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## González seeks faster EU enlargement

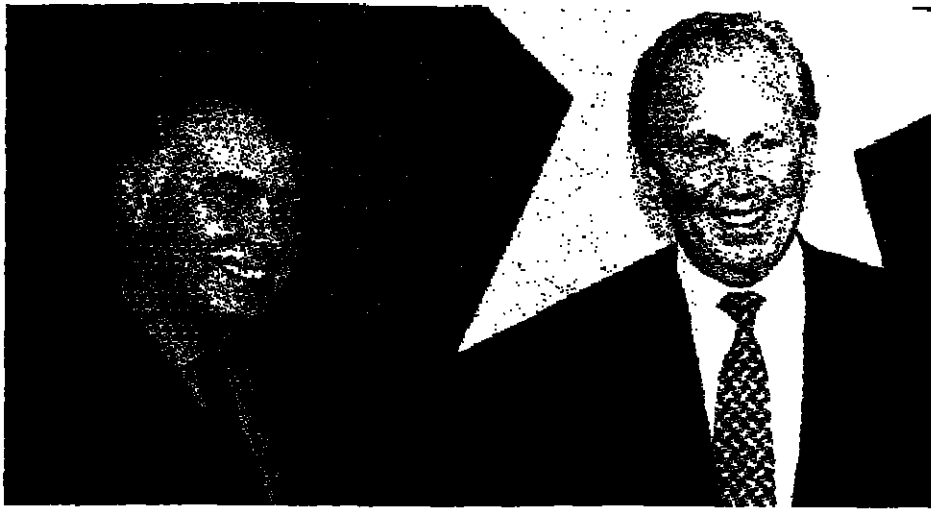
By Lionel Barber in Brussels

Mr Felipe González, Spain's prime minister, yesterday called on European Union leaders to accelerate enlargement to central and eastern Europe with a pledge to open accession negotiations in 1998.

Warning that momentum behind eastern enlargement was unstoppable, Mr González said it was vital to respond to fears in Poland, Hungary, the Czech Republic and other countries that they could be shut out of western institutions and left in a vacuum.

During a 30-minute interview with journalists in Brussels, the Spanish prime minister made clear, however, that the former communist countries could not expect to take full advantage of all EU policies such as the Common Agricultural Policy.

Instead, the EU should propose lengthy transition periods of up to 15 years to allow time



Spanish prime minister Felipe González in Brussels with Commission president Jacques Santer

for adjustment. "We need to think of new procedures," said Mr González, 63, one of Europe's longest-serving leaders. "We must be bold."

Mr González also left open

the possibility that Mr Javier Solana, Spanish foreign minister, could emerge as a candidate for the vacant post of Nato secretary-general.

But he stressed that the

Spanish government would not put him forward. He also warned that Mr Solana's departure could cause "internal difficulties" - a reference to the fact that Mr Solana is in the

running to succeed Mr González as head of the Spanish Socialist party should the prime minister decide to step down after next year's parliamentary elections. Mr González was in Brussels on the first leg of an EU tour ahead of the Madrid summit on December 15-16. Spain holds the six-monthly rotating EU presidency.

He said he was speaking out in support of a clearer timetable for eastern enlargement because of a series of conflicting promises and obligations facing the EU in the run-up to the year 2000 which, if mishandled, could trigger a crisis.

Challenges include next year's inter-governmental conference to review the Maastricht treaty which could last until spring 1997; the selection of countries qualifying for the single European currency in 1998; negotiations on a new EU budget package which runs out in 1999; and the commitment to

open enlargement negotiations with Cyprus and Malta six months after the conclusion of the inter-governmental conference. This latter promise was the price of Greek support for the EU customs union with Turkey.

Mr González said: "It is completely illogical and unrealistic to expect to begin access negotiations with Cyprus and Malta without also starting with Poland, Hungary, the Czech Republic, the Baltic states and all the other eastern European countries which wish to join the EU."

He said it would be unthinkable to delay eastern enlargement if there was a delay in the launch of the single European currency, though he stressed he thought it would go ahead in 1999 as planned. He also expressed support for German plans for a "stability pact" to enforce budgetary discipline among countries participating in monetary union.

## Italian inflation rises to 6 per cent

By Robert Graham in Rome

Hopes of a gradual decline in Italy's consumer prices were dashed yesterday by preliminary data showing November inflation was running at an annualised 6 per cent.

According to figures for Italy's main cities released by Istat, the national statistics institute, prices in November increased 0.6 per cent. This raised annualised inflation from the three-month plateau of 5.8 per cent to 6 per cent.

The lira weakened against the D-Mark, dropping initially to L1,133 from L1,126 on the news. But later in the day the lira recovered slightly as the markets became less alarmed over interpretation of the figures.

However, if the data are confirmed, Italy's annualised inflation will be more than double the EU average. The preliminary figures have tended to be an accurate reflection of the general trend and the rise this month was against all forecasts.

The Bank of Italy as well as Confindustria, the employers' federation, have been forecasting optimisticly for several weeks that prices were falling. On the basis of yesterday's figures, the underlying trend at year-end will be inflation of around 5.4 per cent instead of 5.2-5.3 per cent expected.

The main reason given for the unexpected rise was an increase in most car list prices in October. Although the average increase in list prices is understood to have been about 3 per cent, manufacturers reportedly operated big discounts. Istat was obliged to record the list price rises as opposed to the discounting.

Producer prices, which have been an important element behind the overall increase in inflation, were this week shown to be cooling. In September producer prices were increasing at an annualised 8.7 per cent against 9 per cent in August. Mr Rainer Massera, the budget minister, yesterday issued a statement saying the government's macro-economic objectives for 1996 remained unchanged.

However, next year's budget is based on inflation dropping to 3.5 per cent. This looks increasingly improbable.

The 1996 budget itself passed its first hurdle yesterday being approved by the senate. The package will now be debated by the chamber of deputies, where the government may be forced to accept some further amendments.

## Kinnock urges more transport funding

By Caroline Southey in Brussels

Mr Neil Kinnock, EU transport commissioner, yesterday urged member states to come up with fresh funding for the European Union's ambitious programme of trans-European networks, warning that certain transport, energy and telecom links would not be built unless more money was found.

Mr Kinnock has produced an analysis, to be presented to the EU summit in Madrid next month, outlining the shortcomings in a five-year plan to spend Ecu1.8bn (£1.5bn) on infrastructure developments.

He said member states should make good their declared intention to turn Europe's transport patchwork into a proper network of interconnecting systems. He attacked governments for their perceived reluctance to adapt

France proposed yesterday that EU and Mediterranean states hold regular high-level meetings after they inaugurate a new partnership next Monday in the Spanish city of Barcelona. Reuter reports from Paris.

Mr Hervé de Charette, the French foreign minister, said: "The foreign ministers of the 27 countries concerned should meet regularly, for example every two years. In addition, we propose that the next meeting takes place exceptionally at the level of heads of state in a country south of the Mediterranean to solemnly inaugurate our joint project."

national priorities and for behaving as "if construction and funding are the job of someone else".

Mr Kinnock linked two key problems - the shortfall in funding commitments and the lack of public and private sector co-operation. Traditionally the public and private sectors had not worked together on infrastructure projects, but co-operation was crucial because projects could not be funded from the public purse alone and the EU budget was

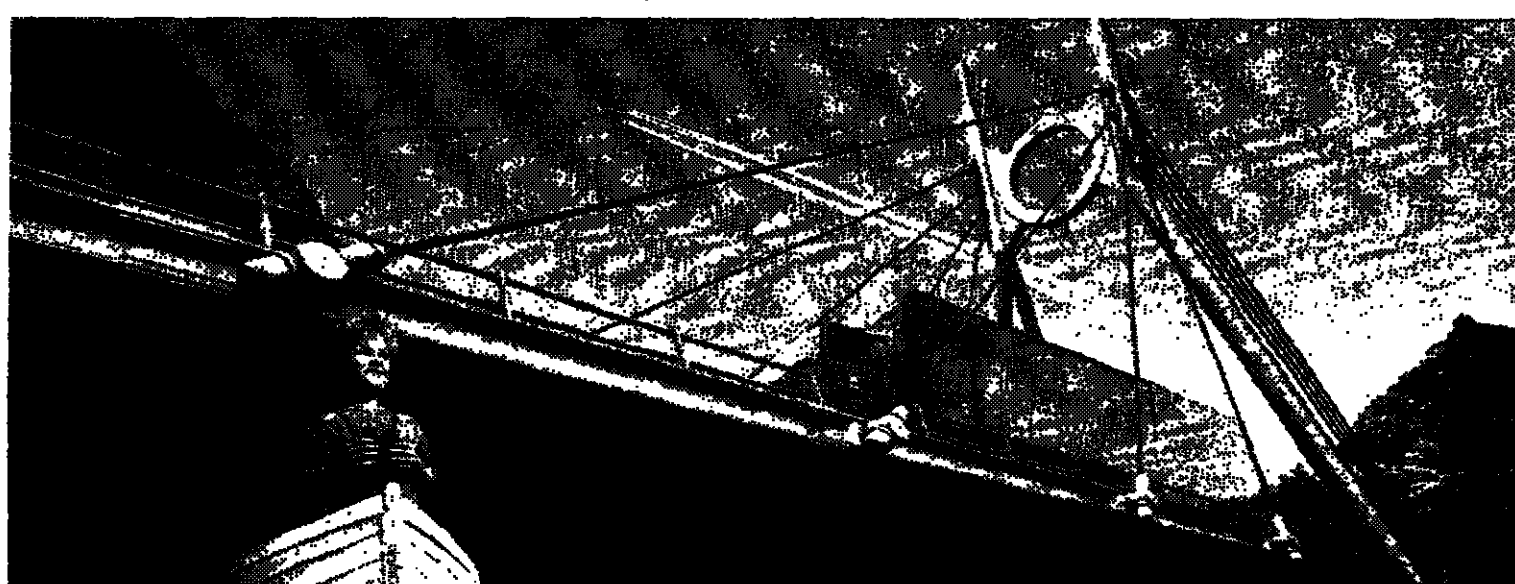
not big enough.

He said governments had failed to recognise the potential trans-European networks held for generating jobs, improving competitiveness and the functioning of the single market. Mr Kinnock said fresh evidence from a report on the socio-economic benefits suggested that member states had underestimated by at least half the full advantages of cross-border links.

The report points out that two out of

14 projects are suffering from severe financing problems. These are the high-speed rail project to link Paris, Brussels, Cologne, Amsterdam and London, which faces shortfalls over the next five years of Ecu200m for the Belgian section, Ecu120m for the Dutch section and Ecu240m for the UK section. The high-speed link between Paris, Strasbourg and Germany is facing an estimated shortfall of Ecu200m.

Examples of poor practices common in the implementation of the rail projects included national authorities setting up conflicting schedules. The Brenner project linking Munich and Verona is singled out as an example where there was slow progress in defining the project and a failure to resolve financing problems. He called on states to create "project authorities" to help speed up implementation.



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## NEWS: WORLD TRADE

## Hungary suspends wheat export licences

By Virginia Marsh in Budapest and Alison Maitland in London

Hungary has suspended export licences for wheat pending a parliamentary inquiry into how the authorities came to issue licences for around 11m tonnes of wheat, more than double this year's harvest.

The Hungarian parliament's agricultural committee has also asked the state competition office to investigate allegations of price fixing following

sharp price increases in the summer.

Wheat prices rose from about £110,000 (\$80) a tonne in May and June to £122,000 in August on the Budapest commodities exchange.

International wheat trade officials said the problem seemed to have originated in the huge increase in international grain prices this year after poor harvests in most of the main producing countries. US wheat export prices rose 70 per cent between the spring

and autumn.

"Everybody has been looking to the smaller exporters like Hungary [for supplies] and things got out of hand," said one official.

Before this summer's rises, grain prices in Hungary were around 50 per cent of world levels.

Local grain analysts said low domestic prices and world wheat shortages led to a scramble for export licences. The number of grain traders on the commodities exchange

more than doubled to 170.

Large state companies not normally involved in grain trading were also believed to have been buying wheat because of low domestic prices. Until the moratorium on new export licences, the government granted a £1,200 subsidy on each tonne exported.

The trade ministry said no more than 2m tonnes was meant to be exported after a harvest estimated at 4.6m tonnes, or 400,000 tonnes below expectations.

It did not expect more than 1.5m tonnes to be exported before the end of the year, when the licences run out. This is because some grain traders appear to have applied for new licences without cancelling or handing in earlier, unused ones.

Farm groups want greater supervision of the commodities exchange and a more transparent information network. This would help small producers, many of whom sold their wheat at a fraction of current

prices early in the season.

Mr Richard Gueterbock, a UK-based food industry consultant who has just returned from Hungary, said: "More attention needs to be paid by Hungary and the EU to the whole issue of what's happening at the agricultural level."

"Agriculture is an important contributor to the economy. But farmers are being paid low prices for their grain, which adds to the general dissatisfaction in the farming community."

## Egypt seeks to lead Arab media world

James Whittington details two big film and satellite projects

In a tract of desert past the Giza Pyramids, construction teams are laying the foundations for what the Egyptian government hopes will be its Hollywood on the Nile.

Film sets of a town square in Alexandria, a Pharaonic temple and an Egyptian village have already been built on the 2m sq m site and used in local productions.

By the time it is finished, the Media Production City will be the largest studio complex in the Arab world with 13 fully equipped indoor studios, 10 outdoor sets, two open-air theatres, an international hotel, and a theme park. It will cost about \$200m and five international groups have been invited to submit bids in January for the main installations.

The leading companies of each bidding group are AT&T of the US, Thomson of France, Philips of the Netherlands, Sumitomo of Japan and Sony Broadcast & Professional Europe. Construction will begin in 1996 and is expected to take about three years.

Meanwhile, this week the government's Egyptian Radio and Television Union (ERTU) is due to finalise its \$158m NileSat contract with France's Matra Marconi and Alcatel Espace to build and launch the country's first satellite. One of the two satellites ordered will be launched by the French-made Ariane rocket and will go into service in 1997. It will carry 12 transponders each capable of transmitting eight television channels along with data and audio signals throughout the region. The Egyptian government plans to take two transponders for its own services, which will include free-on-air and pay TV channels and lease the others.

This will provide some much needed space for Arab broadcasters who mainly use the only other Arab satellite - the outdated Arabsat. This is jointly owned by a group of Arab governments and is due to be replaced by Arabsat II next year.

These two big media projects form the core of Egypt's ambitious strategy to regain the upper hand in the region's broadcasting market by the end of the century. Nostalgia for a return to the golden years of Egyptian cinema in the 1950s and 1960s, and a need to compete with increasingly effective and mainly Saudi-owned satellite channels - such as the London-based Middle East Broadcasting Centre (MBC), the Cairo-based Arabian Radio and Television (ARTV), and Rome-based Orbit Communications Company - have been the main incentives behind the plan.

Media Production City will be used primarily to boost the supply of ERTU's productions which will be used on NileSat. Its focus will be on quality television drama series for which

there is a huge demand in the Arab world. It is also hoped to rent the facilities to other television and film makers.

Meanwhile, steps have been taken to prime the domestic market for the arrival of NileSat. Earlier this year, the government banned all imported decoders. Anyone wishing to distribute pay television channels will now have to come to an agreement with NileSat.

"This will kill two birds with one stone," said one local media analyst. "It will prevent Egyptians from watching some of the more risqué material broadcast from abroad, and will also create a monopoly for pay TV services offered from NileSat."

Egyptians are already showing an appetite for satellite television. Many rooftops in Cairo have satellite dishes of all sizes and although officials have lost count of the exact number, unofficial estimates say there are about 2m dishes throughout the country, or 1 for every 30 citizens.

"We're exposed to many different channels and we believe in freedom on the airwaves but next to those channels from abroad we need to maintain a strong Egyptian identity, especially for cultural and educational purposes," said Mr Mahmoud Kishk, vice-president of the ERTU.

Although both projects are state-backed it is hoped most financing will be private

national purposes," said Mr Mahmoud Kishk, vice-president of the ERTU.

Although both projects are backed by the government, ERTU is hoping to attract most of the financing from the private sector. Both NileSat and Media Production City will become joint-stock companies with ERTU planning to take the largest single stake of between 30 and 40 per cent of equity.

Mr Kishk said there had already been a significant number of inquiries to participate in NileSat from Egyptian investors, local banks and other Arab media companies. There is even talk of selling a minority stake to retail and institutional investors on the Cairo Stock Exchange. The company is due to be incorporated by the end of the year.

ERTU will then turn its attention to the more difficult task of finding investors for the five international bidders have already been asked to include financing proposals for the facilities they wish to build and other programme makers have expressed an interest in taking a stake in the company.

## EU to rethink meat hormone ban

By Caroline Southey in Brussels

More than 80 leading international scientists will meet in Brussels next week to discuss the European Union's ban on hormones in meat, opening the way to a possible review of the Union's policy.

The European Commission called the conference in an attempt to break the deadlock over the future of the EU's blanket ban on the use of growth promoters in livestock production and the import of hormone-treated meat.

Pressure to ease the ban has become intense following a US threat to challenge the policy

through the World Trade Organisation. But consumer groups have consistently resisted any suggestions that the ban should be eased and some have argued that the measures should be strengthened.

Mr Franz Fischler, EU commissioner for agriculture, stressed yesterday that the conference was not a policymaking forum. "It is not a question of taking political decisions at the conference. We want to introduce an element of objectivity into the debate and to avoid an emotive approach to the issue," he said.

Mr Fischler said the EU's policy was based on scientific

evidence more than 10 years old. "The time has come to look at the intervening period and the scientific progress that has been made," he said. New substances had come on the market since the original rules were drawn up.

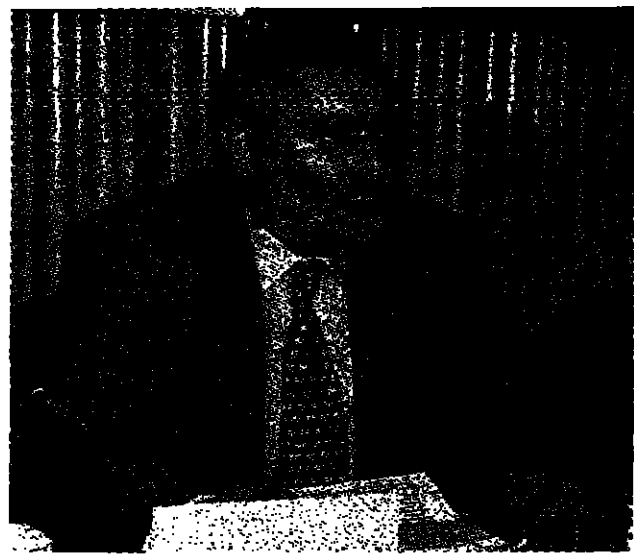
One possible outcome of the conference was that the scientists "can provide us with a solid base on which we can defend ourselves". But it was clear a 10-year old policy could not remain as it was.

The ban has been opposed by pharmaceutical companies, among others, on the grounds that the EU's list of prohibited drugs includes some which, before the ban, had passed the

licensing procedures of several European countries and are used in the US, Canada, Australia, New Zealand, Latin America and Africa.

The US allows the use of three "natural" hormones, oestradiol, beta 17, progesterone and testosterone, as well as two "synthetic" hormones, trenbolone and zeranol.

Washington maintains that the EU ban constitutes an unfair trade restriction. It cites the drop in US red meat exports to the EU, from \$231m in 1986 to \$98m in 1994, as evidence that the ban has hurt US livestock producers and exporters.



Fischler: hopes to avoid emotive approach to controversy

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## India backs China on WTO entry

By Peter Montagnon, Asia Editor, in London

China's desire to join the World Trade Organisation received support yesterday from India, another large developing country often seen as its rival.

Mr Pranab Mukherjee, foreign minister, said in London that India endorsed China's application to join the WTO and even had no objection to extending the status of original member to that organisation.

China was a founding member of the General Agreement on Tariffs and Trade but the nationalist government on Taiwan left Gatt in 1950.

Part of the controversy about China's WTO membership centres around whether it should be treated as a new member, subject to more stringent conditions or simply regarded as resuming its membership.

Explaining India's support for China, Mr Mukherjee said bilateral relations between the two countries had improved considerably. Trade which had been suspended for 30 years had now resumed. India had opened two border posts to commercial transactions and had identified several more which would be opened in future.

The volume of exchanges between the two countries was still quite modest at around \$1bn, but it would grow.

Enron Corporation, the US energy group, said yesterday it had reached agreement with a Maharashtra state committee set up to renegotiate the \$2.5bn Dabhol power project, India's biggest foreign investment.

The Hindu nationalist government of Maharashtra had cancelled the project saying it was too costly, its power tariff too high and its environmental impact negative.

The state committee will now submit its recommendations to the state's cabinet, which is to decide on whether to permit a resumption of the project by December 10. Enron said it would suspend legal proceedings in London until that date.

For its part, India wanted to be a member of the Asia-Pacific Economic Co-operation forum which aims to liberalise regional trade by 2020, but had to accept that there would be a freeze on new membership until at least 1997.

But it aimed to develop a constructive dialogue with Apec countries in trade matters such as tourism, investment and technology transfer. The dialogue would be similar to that which India undertakes with the seven-member Association of South-East Asian Nations, he said.



## Bouchard to take over as Quebec PM

By Robert Gibbens in Montreal

Separatist leader Mr Lucien Bouchard is leaving Canadian federal politics to take over as Quebec premier and leader of the province's ruling pro-independence Parti Québécois.

Announcing his long-awaited decision yesterday, Mr Bouchard said his main aim would be restoring vitality to the province's troubled economy while awaiting any new constitutional offers from the federal government aimed at keeping Quebec in Canada.

However, he made clear he expected such proposals to be inadequate, and said he would then move to call another referendum on independence, although this would not be before April 1997. He predicted that a new referendum would bring victory for the separatists, who were narrowly defeated in a vote on the French-speaking province's status on October 30.

"My priority will be dealing with Quebec's public finances, restoring the province's economy and trying to ease social tensions," he said. But he made clear: "The fundamental objective of the Parti Québécois remains sovereignty."

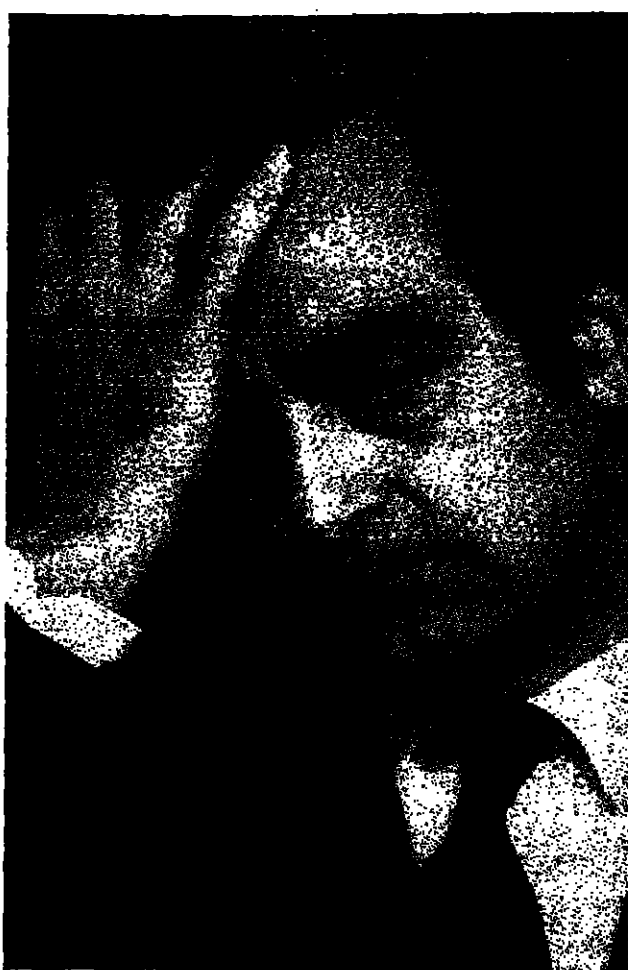
We've never been so close," Mr Bouchard said he would not enter another Quebec referendum unless he was sure of winning.

Mr Bouchard's charisma and dynamism saved the separatist camp from disaster in the final weeks of the referendum campaign in Quebec, bringing them to the brink of victory.

Mr Jacques Parizeau, who had led the PQ to victory in September 1994, resigned as party chief after the referendum result.

Mr Bouchard will remain leader of the federal separatist party, the Bloc Québécois, in the House of Commons in Ottawa until the year end. He is then expected to become PQ leader and provincial premier by acclamation about mid-January. Mr Bouchard has already an assured seat in the Quebec national assembly.

Many Bloc Québécois MPs in Ottawa could now decide to return to Quebec politics. The Bloc has 53 seats in the House of Commons, against 52 for the western Canada-dominated Reform party, and is the official Opposition to the Liberals under Mr Jean Chrétien, the prime minister. The Reform party will have to wait until



Bouchard vowed to carry on fight for independence

the end of the year before it can claim to be the opposition. As for the Bloc itself, though several members are competing to succeed Mr Bouchard as leader, it appears to be heading for decline with no potential leader

of Mr Bouchard's calibre. Mr Bouchard's wife Mrs Audrey Best said politics had not been her first choice, but she was willing to support Mr Bouchard in his new career, in the hope that their private life could be respected.

## Cardoso resists Raytheon inquiry

By Angus Foster in São Paulo

Brazil's President Fernando Henrique Cardoso yesterday called on leading political allies to resist demands for a special congressional investigation into a radar contract hit by corruption allegations.

Mr Cardoso, who accepted the resignations of his chief of protocol and airforce minister over the controversy at the weekend, is concerned that an investigation could delay approval of other overseas business, especially constitutional reforms to modernise the country's economy.

The allegations relate to a project known as Sivan, a \$14bn contract to install air traffic control and environmental monitoring radars in the Brazilian Amazon. The contract, won by Raytheon of the US against competition from Thomson of France, has been dogged by controversy and allegations of wrongdoing.

Mr Cardoso yesterday met leaders of his ruling majority, who agreed they would not push for an investigation at this stage.

The weekend resignations stemmed from government concerns that the two men were compromised by publication of transcripts of taped telephone conversations showing them to be close to Raytheon's sales representative in Brazil, Mr José Afonso Assumpção. Raytheon has denied any wrongdoing, and stressed that Mr Assumpção is not a company employee.

The latest problems with Sivan, which is already behind schedule, has prompted calls for the contract to be reviewed, an idea the government strongly opposes.

One of the project's strongest opponents, senator Gilberto Miranda of Amazonas state, yesterday called for a suspension of financing. Mr Miranda, who was originally in favour of the project and was named in the telephone transcripts, is in charge of the senate committee due to approve preferential funding from the US Eximbank move.

## Connecticut casino gamble ends in tears

Attempt to revive an industrial wasteland foiled by puritanism and doubt, writes Richard Waters

Bridgeport, Connecticut is ringed with industrial devastation. Once a centre of the US armaments industry - Singer made machine guns and Remington Arms was founded here - this New England city has been left high and dry by the US defence cuts of recent years. Of the few defence businesses that remain, Allied Signal is about to close its local tank engine plant, while Sikorsky recently announced another round of job losses.

How to rekindle the economy of one of the North East's most derelict industrial areas? To the residents of Bridgeport, the answer, at least until last week, was simple - gambling.

Like a growing number of other cities and states across the country, Bridgeport had pinned its hope of salvation on a plan to build a casino. With nearly 9,000 permanent jobs and \$1bn of investment, the project was intended to kick-start the economic life of Connecticut's biggest city. It would also have brought casino gambling within an hour of New York City.

Bridgeport's dreams died at the end of last week. Connecticut's legislators voted on Friday to reject the plan, propelling the state's largest city back into economic gloom. In the process, they have also dealt the latest and biggest setback to an industry which until recently had seemed set to take the North East by storm.

Once confined to Las Vegas and Atlantic City, legalised gambling has spread quickly in Indian reservations across the US in the wake of the Indian Gaming Regulatory Act of 1988, which opened the way to legalised gambling on tribal lands. More recently, cities such as Bridgeport have tried to extend the casino habit away from the tribal lands and riverboat cruises where it currently flourishes.

The source for New England's recent enthusiasm for gambling can be traced to the woods of eastern Connecticut.

Less than four years ago, the Mashantucket Pequot Indians opened the region's first casino on tribal land there.

Foxwoods has since become America's - and maybe even the world's - most profitable casino. It will gross about \$600m (\$400m) from its slot machines this year, and another \$400m from its tables, says Mr Mickey Brown, Foxwoods' chief executive. That is roughly a quarter of the gambling revenues generated by all the casinos in Atlantic City, the East Coast's traditional gambling resort.

Foxwoods is about to go through a transformation, adding about 50 per cent to its existing space (in part to

is pondering the desirability of riverboat casinos cruising the waters around New York city.

Outside big cities, there are few other industries stirring in this corner of the North East. "Within 100 miles of here are some of the most devastated cities in the whole of the US," says Mr Lawrence Fish, chief executive of Citizens Financial, a bank headquartered in Rhode Island. Mr Fish, like other local critics, says the rage for casinos is a short-term response to industrial decline, and represents "a failure of the imagination".

However, it remains one of the only hopes for short-term job creation. Hit by the retreat of its defence and metal fabrication industries, as well as the decline of Hartford, the traditional heart of the US insurance industry, Connecticut's employment levels have stagnated. Over the past 10 years, the number of jobs in the state has fallen by 1 per cent while the US as a whole has seen a 20 per cent increase in jobs.

In recent weeks, however, a number of New England casino projects have stalled, hit by a combination of New England puritanism, economic doubts and political infighting. Voters in Springfield, Massachusetts rejected their city's gambling plan last week.

Critics complain that gambling-related jobs pay badly and that the industry's boom will be followed by an equally dramatic bust when the craze wears off. In Bridgeport, they also argued successfully that

handing another giant gambling project to the Pequots - they had beaten Donald Trump and Las Vegas-based Mirage Resorts for the right to build the casino - would give the tribe too much influence over Connecticut's economic future.

Mr Brown's curt response to the doubters: "A job's a job. I have a lot of people here who used to be vice presidents of banks." And of Bridgeport's industrial malaise, he adds: "Nothing else has worked for the city. I'm not sure anything else could work."

## Ruling blocks illegal aliens law

By Christopher Parkes in Los Angeles

A judge has ruled as unconstitutional a key part of California's Proposition 187, the US's toughest measure against illegal aliens.

The emergence of this new obstacle, the most severe in a series which has effectively frozen implementation of the year-old legislation, means the initiative's main provisions are likely to remain blocked during an appeal process expected to last for years and end in the US Supreme Court.

Judge Mariana Paezler, who said that popular support for the move when it was approved by ballot last year,

reflected "justifiable frustrations", said key elements in the proposition, designed to deny medical, educational and other publicly funded benefits to unregistered aliens, usurped federal authority.

Although the state might withhold its own resources - limited mainly to pre-natal services and care for elderly - federally funded services fall outside its control.

The legal setback would shift the focus of the debate to Congress where it belongs, according to Governor Pete Wilson.

Mr Wilson, whose support for the grass-roots "Save Our State" initiative behind the proposition is credited with sealing his hold on power in

last year's election, said the US district court decision would "frustrate the will" of the Californian people.

He was speaking at a Republican party fund-raiser on Monday night following the ruling.

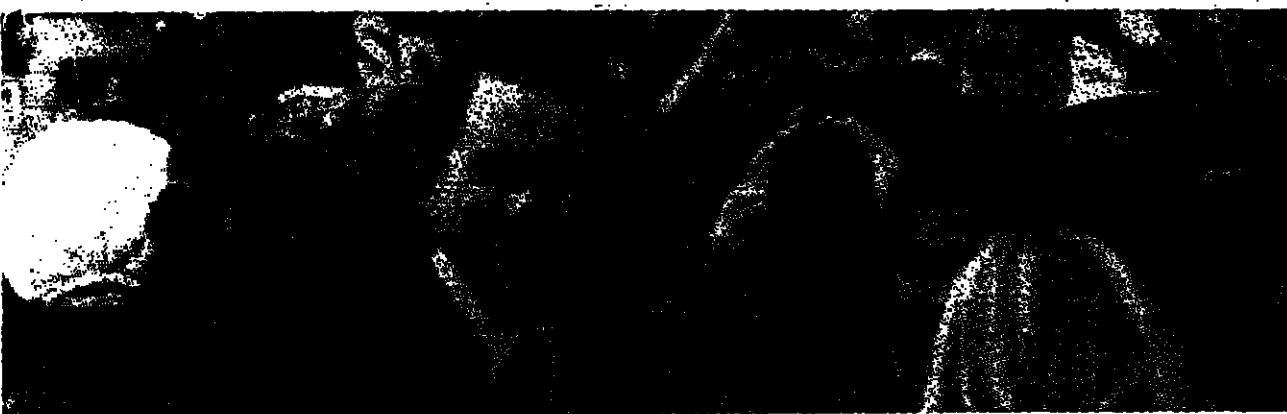
In spite of the district court decision, Mr Wilson and the proposition's original sponsors appeared confident that they had set in motion a process which would ultimately lead to sharpened federal controls.

Fuelling the debate is the lack of consensus on the scale of immigration into the US. One federal study in 1993 said the aggregate annual cost to taxpayers of immigrants, both legal and illegal, was \$12bn. In the same year, Mr Wilson

claimed undocumented aliens and their US-born children cost California alone \$5bn a year.

However, the figures believed to have pushed the issue to the top of the popular agenda came in studies of the state healthcare system which showed the mothers of two-thirds of the children being born in Los Angeles County hospitals were unregistered.

While Californian proponents of a clamp-down continue preparing a fresh package of control measures, grass-roots movements have been established in Florida, target of mainly Cuban immigrants, and Arizona, which has an even longer border with Mexico than California.



Arlen Specter: no one voted for him in Florida and he has also run out of money

## Specter to quit presidential race

By Jurek Martin in Washington

Senator Arlen Specter of Pennsylvania was yesterday on the verge of declaring an end to his quixotic run for the Republican party's presidential nomination.

An announcement, which could come today, follows his failure to win a single vote in Saturday's Florida "straw poll" of party preferences. Mr Specter, a moderate on most issues including abortion, recently conceded he had incurred an unsustainable campaign debt of about \$500,000.

One other fringe candidate on the far right, Congressman Robert Dornan of California, has also virtually conceded defeat. In a weekend interview he thought the race was now down to Senators Bob Dole and Phil Gramm, the top two finishers in Florida, with the majority leader the obvious favourite.

It also appears improbable in the extreme that Congressman Newt Gingrich, the Speaker of the House, will enter the contest. He said this week he would make a final decision over the upcoming Thanksgiving holiday, but added that it was "very, very unlikely" that he would run.

A fistful of new polls this week attest to his unpopularity, the result of his comments and attitude during the budget confrontation with the Clinton administration.

A Washington Post/ABC survey yesterday gave him a 65 per cent negative rating, up from 50 per cent in June, and far worse than President Bill Clinton (41 per cent) and Mr Dole (46 per cent).

Mr Gingrich has been attacked not only in the media

for his pique over his treatment by Mr Clinton on the return flight from the Rabin funeral in Israel two weeks ago, but also by one or two of his most ardent supporters.

Congressman Dave Weldon, a freshman Republican from Florida, even went so far as to say "Gingrich needs to go home and take a nap". The Speaker himself conceded over the weekend that his complaints about being snubbed was "probably one of the more foolish comments I've made to the press recently".

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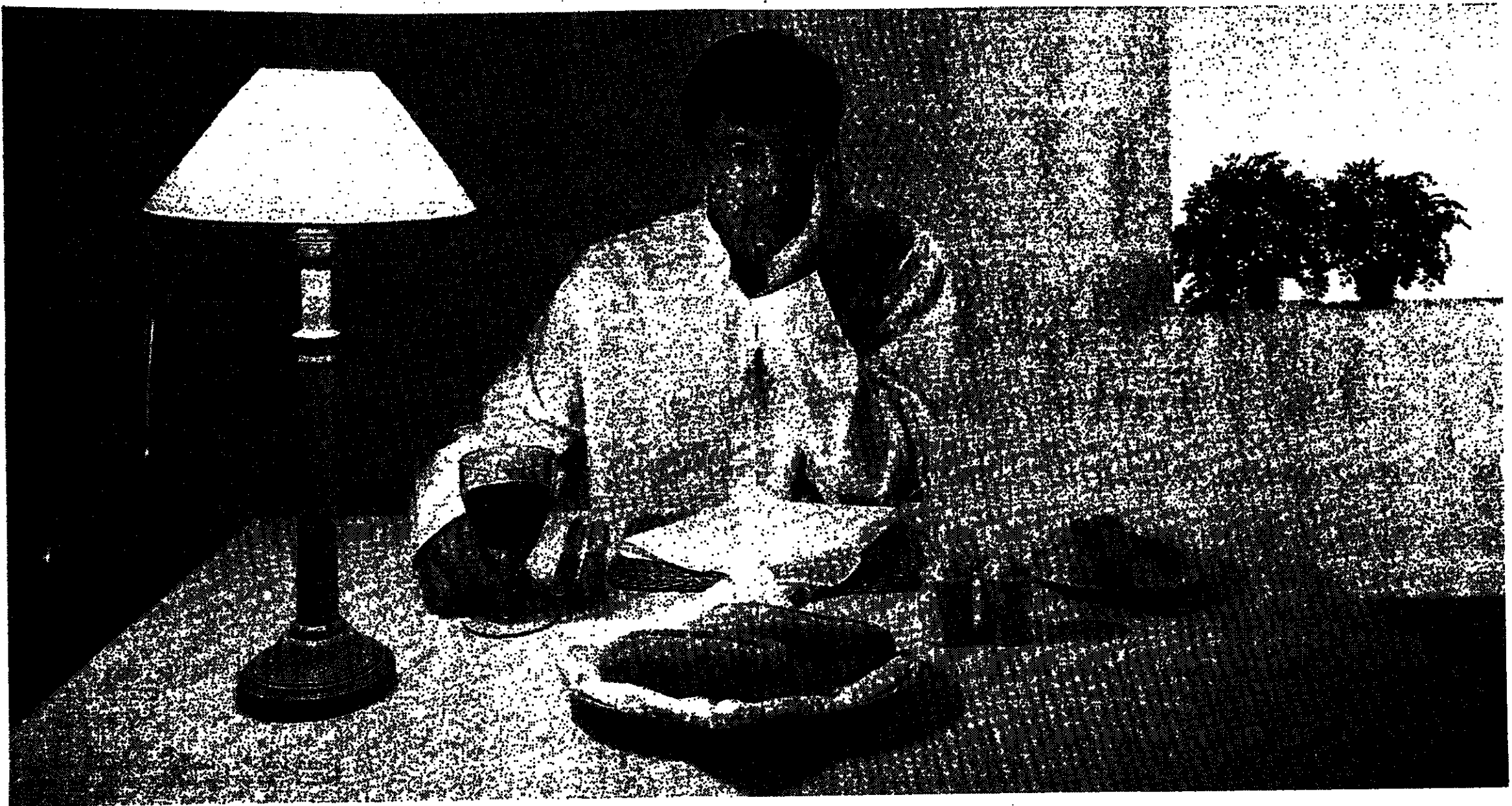
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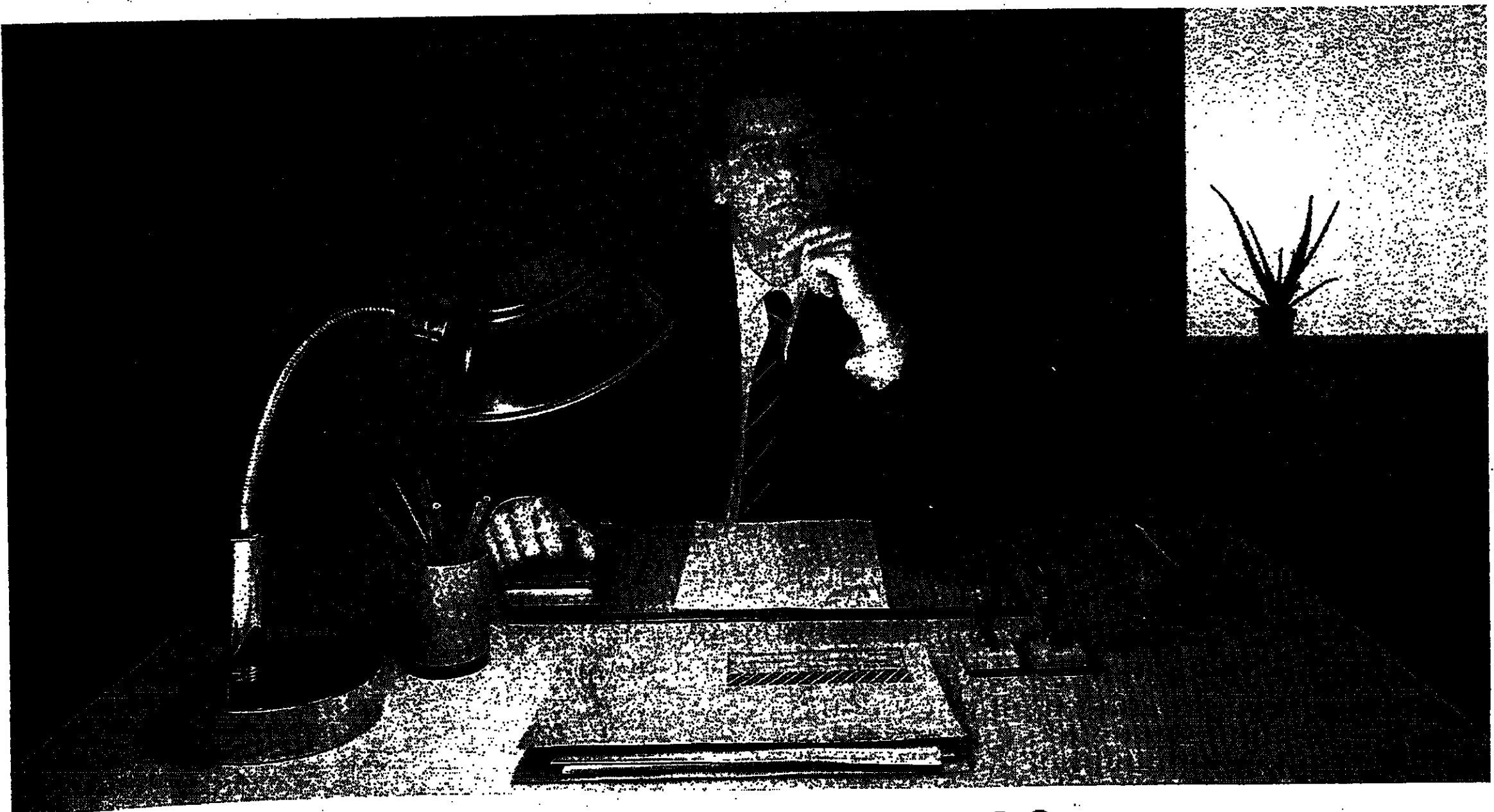




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## NEWS: UK

# French group to invest \$220m at N Ireland site

By John Murray Brown  
in Belfast

Montupet, the privately owned French car components company, is to create 1,380 new jobs over the next six years in a £142m (\$221.5m) expansion of its Belfast plant, in the largest investment for Northern Ireland since the paramilitary ceasefires last year.

Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, said the deal was the "biggest and most significant" investment since the Irish Republican Army and pro-British terrorists ended 25 years of violence. It was "a clear indication that the ceasefire have removed the single major obstacle to substantial new levels of inward investment," he said.

The government-run Industrial Development Board is supporting the project with a £57m grant. The IDB is understood to be preparing to announce a total of 2,000 new jobs in the province in the next week ahead of the visit of US President Bill Clinton on November 30.

The expansion of Montupet's Dunmurry plant - Europe's largest independent aluminium foundry - will be a major boost to the largely nationalist West Belfast area highlighted by a 30 per cent unemployment rate, half of whom have been out of work for more than 3 years.

Montupet, which outside France has plants in Canada and Spain, went into profit at its Ulster operation for the first time last year. In spite of sluggish world car sales, the company says the uses of aluminium are increasing.

Mr Stephen Magner, the Montupet chairman, said

The prospect of a meeting between the British and Irish prime ministers ahead of US President Bill Clinton's visit to Britain and Ireland receded last night as differences over the peace process remained unresolved, John Raftery writes from Westminster.

Officials said that in spite of a 40-minute telephone conversation between Britain's Mr John Major and Ireland's Mr John Bruton "roadblocks remain". The conversation, their first for several weeks, was described as wide-ranging and friendly.

The leaders have asked advisers to try to iron out the difficulties and they plan to talk again within 48 hours.

Northern Ireland "is a major part of a series of strategic product development partnerships we are forming with major car makers to ensure the continued profitable growth of our business."

The factory manufactures aluminium cylinder heads for Ford, and wheels for Peugeot and Renault. Under the expansion plan the company will make aluminium engine blocks for the Volkswagen Audi range.

Montupet set up in 1989 on the site used by Mr John de Lorean, the US entrepreneur whose luxury car project closed in October 1982 with a loss of £50m of taxpayers' money. The French company currently employs 450 people - somewhat below its original target of 900 thanks to the recent recession.

However by 2001, the company expects to have created around 2,300 jobs, providing car parts to European and US carmakers.

The economy Sharp decline in exports to North America reverses earlier trend

## Trade gap with non-EU countries widens

By Graham Bowley,  
Economics Staff

Britain's trade deficit with countries outside the European Union deteriorated sharply last month to its widest level since records began more than seven years ago, official figures showed yesterday.

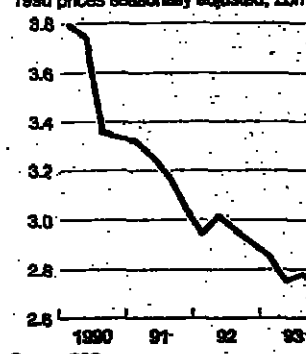
The Central Statistical Office blamed record levels of imports and a sharp fall in exports as activity in some of the UK's main trading partners remained weak. The surge in exports to North America, which caused a narrowing of the deficit in September, was reversed last month. Exports to North America fell by 13 per cent in October.

Part of the deterioration in the trade gap was explained by a worsening of the deficit in oil. But the deficit excluding oil and erratic items - which was a seasonally adjusted £551m last month - was also at its widest level since records began. The CSO said the deficit including oil and erratic items was £1.2bn last month, compared with £0.7bn in September.

The value of exports was £5.3bn last month, a fall of 7 per cent from September. This was due to a fall in exports of oil, precious stones, cars and

### Stockpiling casts shadow over manufacturing investment

Capital expenditure  
1990 prices seasonally adjusted, £bn

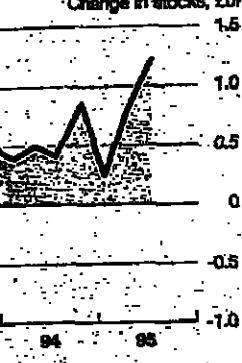


Manufacturing investment in the third quarter of the year was the highest for more than four years, official figures showed yesterday. But the rise in manufacturers' unsold stocks in the third quarter was the largest for almost 19 years. Unexpectedly heavy stockpiling of computers in the run-up to Christmas and a rise in

capital goods, the CSO said. Imports on the other hand were a record £6.5bn, 1 1/2 per cent more than the previous month.

The Treasury said, however, that the upward trend in exports was continuing. In the three months to October exports rose 4 per cent, while imports rose 7 1/2 per cent.

Production and distribution  
Change in stocks, £bn



the amount of finished goods held by the chemicals industry were mainly responsible for the rise. Economists said the figures painted a mixed picture for future growth. Manufacturing investment was 2 per cent higher in the third quarter than in the second quarter of the year and 12 per cent up on a year earlier.

Officials said that the growth in imports was due largely to semi-manufactured and capital goods rather than consumer goods, which suggested that companies were importing goods to increase their investment.

Mr Alex Garrard, an economist at UBS, said: "Strong growth in capital spending in

the manufacturing sector has fuelled import volumes." There was also a large jump in imports of food, drink and tobacco - the deficit widened to £1.36m last month from £76m in September.

The deficit of semi-manufactured goods widened to £97m last month from £18m in September. The deficit of semi-

manufactured goods widened from £87m to £63m in October.

The CSO said that two-thirds of the increase in the deficit in the three months to October could be explained by a £0.4bn change in the balance of services, most of which is down to a surge in silver bullion, mainly from North America.

CSO statisticians said that their estimates of the long-run trend in both value and volume terms show imports have been rising faster than exports. Some economists said that UK exports were likely to remain sluggish in the coming months because of generally weak economic activity in other countries, which reduced the demand for British goods.

A survey suggested yesterday that British consumers are more cautious in the run-up to this Christmas than last.

A survey of 1,100 adults by credit company Barclaycard found the average people were planning to spend at Christmas was £233. This was slightly lower than last year's £235 - the first annual drop recorded since the survey started in 1991.

But Barclaycard said its experience over the last year suggested consumers are spending more than they plan.

## Earl's restaurant bill aims for tip-free tab

By Scheherazade Daneshkhu  
Leisure Industries  
Correspondent

A restaurant-owning member of the House of Lords is proposing to wipe service charges off the menu.

The Earl of Bradford yesterday introduced a private member's bill aimed at ending tipping, cover charges and service charges in restaurants.

Lord Bradford, who owns Porters, a restaurant in London's Covent Garden, called

tipping "outmoded" and said it was "ridiculous to bribe someone for giving you food."

It operated as "legalised begging" in some restaurants, he said, and called for eating establishments to provide service in the same way as other retail businesses. "You would not go into a shoe shop and tip the staff - why should a restaurant be any different?"

Many restaurants stipulate an "optional" service charge on the menu but then add it on to the final bill. By making the

service charge optional, the restaurateur is not liable for value added tax and national insurance contributions on the service charge part of the bill.

Lord Bradford's bill would require restaurants to include service and tax in the price of each item on the menu and for menus to state: "Our prices are fully inclusive and our staff do not expect a tip or gratuity." It would also eliminate cover charges and require credit card slips to be filled completely.

Mr John Barnes, executive

chairman of Harry Ramsden's, the Leeds-based chain which serves fish and chips, bread and butter and tea for £5.25 (£8.20) - excluding service - opposed the Earl's proposals.

He believed an optional service charge encouraged good service and said restaurants might take the money as increased margin and not give the staff anything.

The British Hospitality Association opposed legislation and said the decision should be left to the restaurant. "Providing

the proprietor makes it clear that the service charge is levied or is included in the price, we would not like to see legislation outlawing it."

However, the British Tourist Authority and the Consumers' Association welcomed the bill. "Confusion about whether you can refuse to pay a service charge is rife," said the Association. "The answer is for menus to be written on the 'what you see is what you pay' principle, with all-inclusive prices."

## Workers at Ford divided on pay offer

By Robert Taylor,  
Employment Editor

Manual workers at Ford, the British subsidiary of the US carmaker, appear to be divided over whether to accept or reject the company's "final" 9.35 per cent minimum two year wage offer.

Shop stewards from Ford's 13 British plants who will meet in London today may decide to call for a consultative ballot of the company's 22,000 workforce. The package on offer will provide a 4.75 per cent basic rise from this month and 4.5 per cent or the inflation rate plus 0.5 per cent next November.

But privately union officials are increasingly concerned at the apparent lack of enthusiasm for opposing the deal coming from the company's plants at Halewood in north-west England and at Bridgend and Swansea in South Wales who employ nearly a third of the UK workforce. A number of smaller plants are also believed to favour accepting the company's offer.

Some senior union officials believe that if today's report-back reveals substantial support for acceptance of the offer the unions should at once sign a new two-year deal.

Unlike at Vauxhall, where an overtime ban is due to begin from next Wednesday, no such move will be made at Ford.

Union negotiators at both car companies want a cut in the working week of two hours, but neither has been prepared to concede any move on that part of their demands. "Ford and Vauxhall are working together and taking the same position by standing firm against any cut in the working week," said a union official last night.

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## NEWS: UK

## Names are urged to lower expectations

By Jim Kelly,  
Accountancy Correspondent

Names at Lloyd's of London were yesterday told that they expected too much from the £2.8bn (\$4.4bn) settlement offer designed to give the market a new life after years of costly litigation.

An independent committee set up to work out how to distribute the settlement among the market's 34,000 Names - individuals whose assets have traditionally supported the insurance market - said it was worried that "expectations of the settlement are still higher

than can be achieved with the funds available."

The settlement is a key part of the plan to create a "new" Lloyd's next spring by transferring heavy liabilities into Equitas, a new reinsurance company.

LLOYD'S  
LLOYD'S OF LONDON

Names would be asked to drop numerous legal actions against Lloyd's agents, who run underwriting syndicates, in return for having large chunks of their debt written off.

Sir Adam Ridley, the chairman of the committee, said that with current funds there was no certainty that the plan could deliver help for the hardest hit Names and bring an end to litigation. "A big heavy is still needed," he said. He also stressed that this was only an interim report and that an agreement was not impossible. "The parties in this kind of negotiation are often a long way apart until they are together."

Mr David Rowland, chairman of Lloyd's, said he was not surprised that the committee was seeking further funds but

he could give no assurance that the final offer would exceed £2.8bn.

The report forecast that total losses for Names since 1988 would amount to £11.4bn by next spring - a figure which included the cost of the Equitas premium.

Mr Robert Miller, speaking for the Association of Lloyd's Members, said: "Names should lower their expectations. There is a lot of distress still to come."

The document discusses several ways of distributing the settlement. It favours allocating debt credits in three

tranches. This approach would leave 30 per cent of Names with no bills to pay, 50 per cent able to meet their bills from some or all of their funds at Lloyd's, and 30 per cent with bills greater than their funds at Lloyd's.

The committee hopes to be able to cap the bills faced by this final category. It mentions the sum of £50,000 - but only on the basis that more money is put into the settlement. While no member of the working party would comment on how much more was needed, it is understood to be about \$400m.

## Power demand surges as Diana show goes live

A record number of British viewers - more than 20m people - watched the Princess of Wales' interview on Monday, but it was uncertain if that figure included her husband.

Prince Charles, yesterday visiting the fishing port of Newlyn in south-west England, was greeted by a throng of journalists.

A reporter shouted from the crowd, asking if he had watched television last night. The Prince, probably assuming the reporter worked for the BBC, turned straight-faced and replied: "Not yours."

The interview was a ratings triumph for the BBC and pulled in more viewers for the corporation than its popular soap

opera *EastEnders* and even more than the rival commercial network's most popular programme *Coronation Street*.

The weekly National Lottery draw, which is watched by nearly 12m people, was also easily eclipsed.

National Grid, Britain's state-owned electricity distributor, reported a massive upsurge in demand surging to 1,000MW at the end of the programme - the equivalent of 300,000 kettles being switched on.

That was nearly 50 per cent up on Prince Charles' television interview last year.

Across the globe it was a similar picture. "It was the most watched programme in

## A self-styled 'queen of people's hearts'



Princess Diana confessing to TV

1984 Our Book (Princess in Love says princess had affair with Major James Hewitt, the commanding officer of the Royal Marines, before she married Prince Charles)

1989 The Prince of Wales: Prince Charles' first public appearance since his wedding to Diana, the Princess of Wales, in 1981

1990 The Prince of Wales: Prince Charles' first public appearance since his wedding to Diana, the Princess of Wales, in 1981

## MPs are told how to increase scrutiny of EU spending

By Robert Shrimley at Westminster

A private memorandum by the government machine's accountancy watchdog has advised MPs that they can step up their scrutiny of spending by the European Union.

Sir John Bourn, whose full title is comptroller and auditor-general, has told MPs of the public accounts committee of the House of Commons that there are several ways in which they can increase their attempts to monitor

EU spending. The MPs are particularly keen to attack waste and fraud which last year cost the EU £421m (\$657m) out of an annual budget of £72bn. His advice to the MPs follows pressure from Eurosceptics in the governing Conservative party for the committee to be given a greater role in scrutinising EU expenditure.

Sir John stated that the committee has already has enough powers, but can make far greater use of them than it has so far. "The committee could

include more examinations of European programmes focusing for example on the arrangements for preventing and detecting fraud and irregularity," he wrote.

He also suggested it could undertake "more reviews of the action taken on European issues as a result of previous committee recommendations. These could be followed up by in-depth examinations where this is considered appropriate". The National Audit Office, the independent spending watchdog run by

Sir John, is also examining ways of running joint investigations with the European Court of Auditors - the central body charged with monitoring EU spending. MPs on the committee may consider Sir John's advice next month. Among possible actions available is asking members of the European Commission to give evidence before the committee on how they are tackling waste and fraud.

Editorial comment, Page 15

## UK NEWS DIGEST

## Nigerian visa may be cancelled

Aides of Mr John Major, the prime minister, admitted that the Nigerian attorney-general entered Britain at the weekend in spite of European sanctions against the regime of General Sani Abacha. The UK Foreign Office said it was considering cancelling the visa of Mr Mike Agbamuche, the man responsible for the justice system which sentenced Mr Ken Saro-Wiwa and his colleagues to death. Mr Major said in the House of Commons that he was unaware of the visit by Mr Agbamuche and a Nigerian legal adviser.

The Foreign Office said Mr Agbamuche was a civilian member of the Nigerian government and not subject to visa restrictions on military members of the regime imposed by the EU in 1993. It said the visa was given to the justice minister before the rules were extended to civilian members of the regime by the EU foreign affairs council on Monday. "We are talking to the Home Office who are responsible for immigration to see if there is any way we can cancel or withdraw visas already issued," the Foreign Office said.

George Parker, Westminster

## Company meets minister about aid plea

Interconnection Systems, the British circuit board manufacturer, met Mr Tim Eggar, the industry minister, to discuss the level of grant aid it would require to site a new plant in north-east England. The company, which already has one factory in the region, is considering whether to site a £140m (\$218m) expansion in the UK or mainland Europe. The meeting signifies a significant change in the company's tactics. Until this week it had indicated that its favoured UK location for the factory was central Scotland. However, the company has indicated that the frontrunner for the plant, which could create 1,000 jobs, is the Andalusia science park in Málaga, Spain. Interconnection Systems, one of Britain's fastest growing technology companies, is thought to be no longer pursuing the Scottish option on the grounds that a second plant in north-east England would be easier to manage and more cost-effective.

Chris Tighe and Peter Marsh

## Policy for transport in London changes

The government is to publish plans for an integrated transport strategy for London in the spring, reversing its previous policy of allowing the different methods of transport to operate independently. Sir George Young, transport secretary, said the strategy docu-

ment would build on recent proposals from London First, a consortium representing business and public sector organisations, and from London Transport, which runs the underground railway. London First recommended a £33m (\$36m) action programme to improve transport in London over the next 15 years. It criticised a lack of forward thinking in planning London's transport system which, it said, was putting at risk its position as a world city. It urged early work on several large investment projects in the capital.

CrossRail, a project to build an east-west main rail link under London, could be scrapped to allow the smooth privatisation of Railtrack, the state-owned company which owns much of the infrastructure of the national network.

It emerged yesterday that the uncertainties involved in the CrossRail project, which requires a deep tunnel through some of the most congested parts of underground London, could have a significant impact on the finances of Railtrack in the run-up to its flotation, according to a confidential government study.

Charles Batchelor, Transport Correspondent

## Professionals fear skills are outdated by technology

Most British professionals feel that their skills have been outdated by new technology, says market research for the TSB bank. They believe they are no longer guaranteed a career for life and say technology has brought longer hours and new demands from employers. Almost three quarters of the professionals surveyed - including lawyers, doctors and teachers - said they were under greater pressure than five years before to upgrade their skills in fields such as information technology.

Krishna Guha, London

## Workplace fatalities decline to record low

The number of people killed in workplace accidents fell to a record low last year, said the Health and Safety Commission. There were 283 fatal accidents, the lowest annual figure since records began in the last century. There were 296 in 1988. But the number of self-employed workers killed in workplace accidents increased last year. There were 73 fatal accidents to self-employed workers in Britain in the 12 months to March this year compared with an average of 62 a year over the previous three years. A significant increase was recorded in agriculture - where numbers of inspectors have fallen.

Lisa Wood, Employment Staff

Devil in disguise: An alcohol watchdog issued a warning about increasingly fashionable alcoholic colas and lemonades. "We are convinced that these new alcoholic colas and lemonades are a cynical attempt by the drinks trade to hook young people on alcohol," said Alcohol Concern director Mr Eric Appleby.

See For Yourself  
What ISDN  
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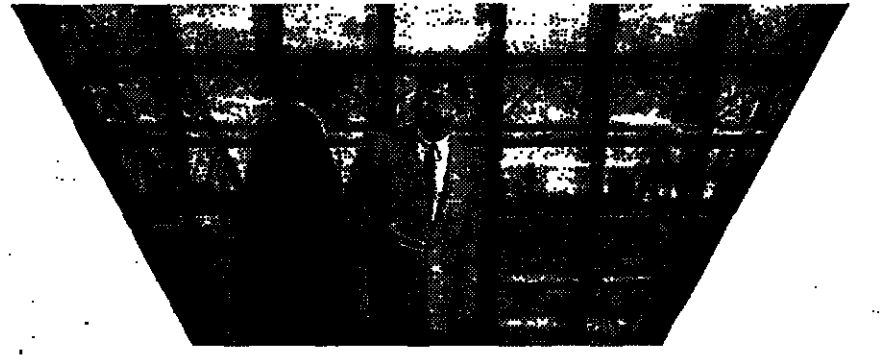
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FINANCIAL TIMES

## BUSINESS AND THE ENVIRONMENT

As a clever lawyer with a conscience,  
Martyn Day can cause corporate  
anxiety, says Peter Knight

## Green crusader

Lawyer Martyn Day has brought fear to British boardrooms by pioneering American-style aggressive litigation on behalf of people who have suffered from the effects of pollution.

At the age of 38, he has established himself as the legal scourge of polluters and is in a position where he could begin to pursue companies based in other European Union states.

"The opportunity in law exists in all the member states," says James Cameron, a UK barrister and director of the Foundation for International Environmental Law and Development. "There will be more opportunities when the EU confirms its policy on civil liability for environmental harms. If Day got to grips with EU law he would have a great opportunity to export his services."

"This is how Day works. First, he tracks scientific and legal develop-

ments, especially in the US, attending legal conferences there and spending hours studying the legal and scientific press. He has built up a loyal support staff, most of whom hold both scientific and legal qualifications and can understand the implications of dry technical findings published in obscure academic journals. When a causal link is made between physical harm and, say, a certain industrial practice, he looks for clients on whose behalf he sues the company for damages.

cases on state-provided legal aid. He has a mass of work in the pipeline, including high-profile cases against water companies, for the harm caused allegedly from sewage discharges, Rentokil for alleged damage from wood treatments and the electricity industry for the alleged effects of electromagnetic radiation.

Even if he wins all his cases he will not be rich because, unlike in the US, he is not allowed a share in the compensation payments. His firm earns only the fee prescribed by the legal aid system.

Day may have been profiled in the legal press and portrayed in a drama-documentary by a leading actor, but there is no material evidence of his success. He wears supermarket suits and his office is at the less fashionable end of one of London's least attractive roads, behind a door covered in diesel dust and up creaky stairs with black tape covering bits of worn carpet.

Day differs from most other environmental lawyers in the way that he identifies closely with his clients and the environmental cause. "I'm not the kind of person who can leave his heart at home. I want to do work that I can be proud of," he says. He and his business partner, Sarah Leigh, have built up the leading firm of environmental and medical negligence lawyers in the UK.

They take on difficult cases in the hope of getting justice for their clients, changes to industrial practice and improvements in the law. They earn about a third of the amounts taken home by their fellow lawyers in the big commercial firms.

"Martyn is first and foremost a politician. To him the law is politics by another means," says Paul Bowden, a litigation partner and head of the environment group at Freshfields, one of the UK's top commercial law firms and Day's opponent in two major nuclear cases.

Freshfields advised British Nuclear Fuels when it was sued by Day on behalf of leukaemia victims allegedly affected by radiation on their fathers' sperm. The court case



Martyn Day: "I'm not the sort of person who can leave his heart at home"

took eight months and cost the taxpayer around £10m.

Day lost, but is unrepentant: "We were not wrong, another judge, another time and we could have won it. The key thing for me is that these cases put industry on its toes, it gives more weight to the individual and that's important for society."

Day courts publicity to promote his cases. "Publicity and the media is the sea that keeps Martyn's ship afloat," says Bowden.

Day is particularly adept at keeping buoyant and very good at using the media to further his aims. For example, he upset the legal establishment when he advertised for clients in newspapers near the nuclear plant of Sellafield.

He did the same in Liverpool, where he was searching for people who had contracted smoking-related diseases. He attracted hundreds of potential clients and the resulting publicity brought in more.

"I think he dreams up these cases in the bath and then goes out and finds a plaintiff," says a solicitor who accuses him of ambulance chasing.

Day's opportunism is kept firmly in check by the legal aid system, however. To get state backing for the case he has to make a reasonable argument to the legal aid board, which he has done repeatedly and with great success.

Day's work can be seen as campaigning, but he has sharper focus than campaign groups. Having a few protestors drape a banner from your chimney stack or block your outfall pipe is irritating, but when some lawyer with a conscience is clever enough to use the system to burrow into the heart of your company and drag you through the courts, something has to be done.

The easiest option - especially for pragmatic business people - is simply to change, which is what companies do if they cannot easily fight off their critics. "Clearly there is a worry among the polluters, their insurers and their banks - not just about the size of claims if we succeed but also about the impact on their industry created by the cases. The real strength of our work is the way it highlights the problems of the polluting industry, rather than the benefits," he says.

## The long and winding road to a porous peace

Motorways are being built with smoother asphalt in order to reduce traffic noise, writes Charles Batchelor

Forty years after it was invented and more than a decade after it went into widespread use on the Continent, porous asphalt, a far quieter material than either conventional asphalt or concrete, is to be used on large-scale road schemes.

The Highways Agency, which carries out the government's road-building programme, has specified porous asphalt for the 8½-mile A54 Newbury by-pass and for the resurfacing of a similar length at the London end of the M40. It has already been used on the M25.

The expansion of the motorway network and the growth of road transport has meant that few parts of the country are out of reach of the hum of traffic noise. One answer is to put up roadside screens to deflect the sound but while this protects houses close to the road it is less effective for people living further away and can be unsightly.

Increasing pressure from residents, from environmentalists and from local authorities for quieter roads has led road engineers and the suppliers of asphalt and concrete to look closely at how they design road surfaces.

Reducing noise at the point of contact between the tyre and the road has benefits not only for local residents but also makes driving less stressful and hence safer for road users.

Trials are under way in the UK into two methods of reducing noise: porous asphalt and "whisper concrete". Both have been employed successfully in continental Europe.

Porous asphalt is composed of relatively large pieces of crushed stone bound by bitumen. This mixture creates a material of which about 20 per cent consists of air voids. Instead of rainwater lying on the road surface it trickles into the air gaps and down to the impervious base course below. It then follows the camber of the road to drain away to the side.

The effect is not only to reduce traffic noise and spray in wet conditions. The crushed stone is laid in such a way as to achieve an even running surface which cuts

down on tyre vibration in dry weather too.

This can lower the level of noise produced by traffic by up to four decibels in dry conditions - the equivalent of doubling the distance of the listener from the source of the noise - and by eight decibels in wet.

Smoother road surfaces have the disadvantage of lowering skid resistance but, according to the Refined Bitumen Association, porous asphalt maintains a high degree of resistance, nevertheless. Additional benefits are the reduction of the glare created by water on the road in wet conditions and a 2 per cent cut in fuel consumption.

Porous asphalt was developed in the UK in the 1960s for use on

**Reducing noise at the point of contact between the tyre and the road has benefits not only for local residents but also makes driving less stressful and hence safer for road users**

airfields but has been adopted much more widely elsewhere. In Austria, where many trunk roads pass through populated valleys, public pressure has led to widespread use. In the Netherlands it is specified for use on all trunk roads.

Austria has the equivalent of 320 miles of four-lane motorway laid with porous asphalt. France has 850 miles, the Netherlands 640 miles and Italy 340 miles. Britain, by contrast, uses it on nine experimental sections of road amounting to the equivalent of just 25 miles of a two-by-two-lane motorway.

One reason why porous asphalt has not been more widely used is that it is more expensive than conventional hot-rolled asphalt. It can

cost between 40 per cent and 100 per cent more to lay. However, the bitumen association points out that the cost of the road surface is only 2.1 per cent of total road construction costs.

Porous asphalt is also less hard-wearing than conventional asphalt. On one stretch of the M1 the Highways Agency calculated it would require renewal after five to seven years, although the bitumen association believes road lives of 12 years or more "are not an unrealistic expectation". Conventional asphalt would typically require renewal after 12 to 15 years, it says.

On the A1 Paris-Lille autoroute, which carries a lot of heavy traffic to the Channel ports, porous asphalt laid 10 years ago is still in good condition, the association says.

Asphalt is the main material used in road construction in the UK, accounting for 95 per cent of the total network, but the suppliers of the concrete used for the remaining 5 per cent are also working on quieter materials. Traditional concrete roads are finished with transverse brush lines to direct water to the side of the carriageway and improve skid resistance. These lines and the joints between the concrete blocks both cause tyre noise.

Whisper concrete, which is on trial at two sites in the UK, incorporates a random pattern of aggregates in its surface to produce a smoother and quieter ride. The British Cement Association says this surface is quieter than conventional asphalt although not as quiet as porous. It is about 10 per cent more expensive than conventional concrete.

Austria once again appears to have led the way with whisper concrete, building more than 100 miles of motorways with the material. It is on trial in the UK on a one-mile stretch of the M18 and 2½ miles of the A50 near Derby.

A cosmetic advantage of whisper concrete is that it can be supplied in different colours - blues, greys and greens - depending on the colour of the aggregate used, toning in with the landscape more than traditional white concrete.



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## ARTS

Television/Christopher Dunkley

## Why it's all hype on the night

It is beginning to be possible to discern what television will be like when it emerges as a fully formed mass medium. It is, of course, still a babe in arms when compared with such ancient media of expression as paint or even print. The printed word is 500 years old while television is barely 50. Television is still trying experiments and falling flat on its face - Saturday's two hour *Police Action Live* was a wonderful example to which we shall return in a moment - but that is surely as it should be with such a young thing.

Of course television is a multifarious medium which has spent much of its early history borrowing from elsewhere: theatre, cinema, newspapers, magazines, variety halls, party games. For television journalism there have been two main models, the documentary film (giving us, for instance, the half-hour *World In Action* report) and print journalism (giving us various near equivalents: the Robin Day interview, the studio discussion, and so on). But now television is finding that its own true forms - or those that bring the biggest ratings - are not modifications from older media. What matters more and more for television journalism is to

be live or (better still) *and* personality driven. Promotion before transmission, the hype factor, is also increasingly important.

Monday's notorious *Panorama* must have received more hype, in this instance all unpaid for, than any previous programme in the history of British television. With our present system in which the four terrestrial channels still win 91 per cent of the audience, this is useful for the network concerned (BBC1) but not essential. In the rapidly approaching world of digital television, however, where the audience will be split among scores or hundreds of networks, such prefatory activity will become vital. Standing out from the TV crowd is going to be vastly more difficult in 10 or 20 years time.

As for the content, the Princess Diana *Panorama* was near ideal: one of the most famous (and, according to many, attractive) faces in the world, doing a full length solo interview for the first time,

and speaking about her husband's mistress, her own adultery, and the enmity between two royal camps. Though she had had, by all accounts, no special PR grooming for this event, her performance was remarkable: a combination of girliness and dignity, frankness and formality, which could scarcely have been bettered, at least in terms of her own image.

No spin doctor would have dared invent those wry little twists of the mouth with which she prefaced admissions of weakness or guilt. The long term effects are imponderable, but history will surely say that she did herself far more good with this programme than her husband did with his much longer and infinitely more boring effort.

There can never be very many programmes like that, of course. On the other hand we must expect the supply of personality travelogues to go on and on increasing. Though it originated in older, non-television forms, this has now

developed into a pure television phenomenon. The presenters are comedians or game show regulars such as Michael Palin, Sandi Toksvig and Clive Anderson, and once we are out in a British trawler or an Indian steam train with them, it is difficult to say whether it is their funny lines or the scenery which is more important.

Once upon a time BBC's *In Search Of Happiness* would have been presented by Alan Wilder, former agency man, foreign correspondent, and radio reporter. Now it is presented by Angus Deayton, questionmaster of the studio quiz *Have I Got News For You*, and known, we are told, as the thinking woman's crumpet. Ostensibly the subject of the final episode was the fairly serious business of finding happiness via god or, failing that, via a virtually religious dedication to a cause such as socialism or the wellbeing of hedgehogs (I am not making this up). But the level of approach became clear at the start

when we were given Deayton's joke about looking for a monk with the address "A Cave, Somewhere near Kandi" not once, not twice, but three times.

In a world of increasingly rapid communication, television's ability to go live and deliver events into the viewer's home as they happen seems like the ultimate journalistic boom. But Saturday's *Police Action Live* showed just how comprehensively you can come unstuck. True, ITV does need something to brighten up its Saturday schedule, and the idea of having ITN cameras in police cars in London, Manchester, Newcastle and Hampshire, followed overhead by police helicopters carrying relay trucks and more cameras, for an hour on either side of a comedy programme, must have seemed risky yet a pretty good bet. After all the live relay is now a well practised technique in news and sport.

The result was such a disaster, however, that in the end you had to stop laughing and start feeling sorry for the poor presenter, Dermot Murnaghan. The technology rarely held up for more than two minutes at a time, the fault lying mainly with the helicopter links, presumably, given the similarity between the garbling on Saturday night and what you see so often - though briefly - during helicopter coverage of the Tour de France. Yet the major let-down was not the hardware glitches but the desperate lack of events.

Over and over again Murnaghan would break into the proceedings to announce urgently that we were going over live to this place or that where something seemed to be happening. It never was. The most exciting moment was when we left the Griffin Tavern in London's West End, whether we had rushed with a wpc to cover a disturbance, involving one tipsy customer, which was over-manned before she

arrived, to go to Charing Cross station. There an excited ITN reporter told us that squad cars had just roared off to a nearby pub where 50 football supporters were rioting. Unfortunately it turned out to be the same little chap in the Griffin getting his nose punched.

So much for the image, painted so luridly by television news with every successive set of crime statistics, of a Britain seething with murder and mayhem, all way beyond the control of a thinly stretched police force. The television news people may have believed their own picture but what they showed us on Saturday night across the length and breadth of Britain was the police racing around, mob-handed, sirens screaming, to apprehend grinning lager drinkers whose idea of a really good night out is to sneak up behind patrolling bobbies and make V-signs at a television camera.

And yet, despite this fiasco, it is safe to assume that live coverage of emergency services will fill more and more of the time supposedly devoted to journalism on the sio, as well as personality presenters. And heavy hyping will surely become more commonplace and more competitive.

## Theatre

## French Without Tears

Terence Rattigan's "sophisticated comedy" is safe regional house fare, and constitutes a pre-Christmas breather in Giles Croft's well-balanced first season as artistic director at Watford. Thankfully, Tim Luscombe's production makes a little more of it than the sterile throwback it could so easily have become.

James Merfield's design locates the action in a crumbling, drained swimming pool with palm trees thrusting through its sides. It constitutes a muted comment on the decadence of an upper class 1930s milieu in which young men, usually of little brain, take themselves off to cram for the language paper of the diplomatic service exams in a comfortable French villa.

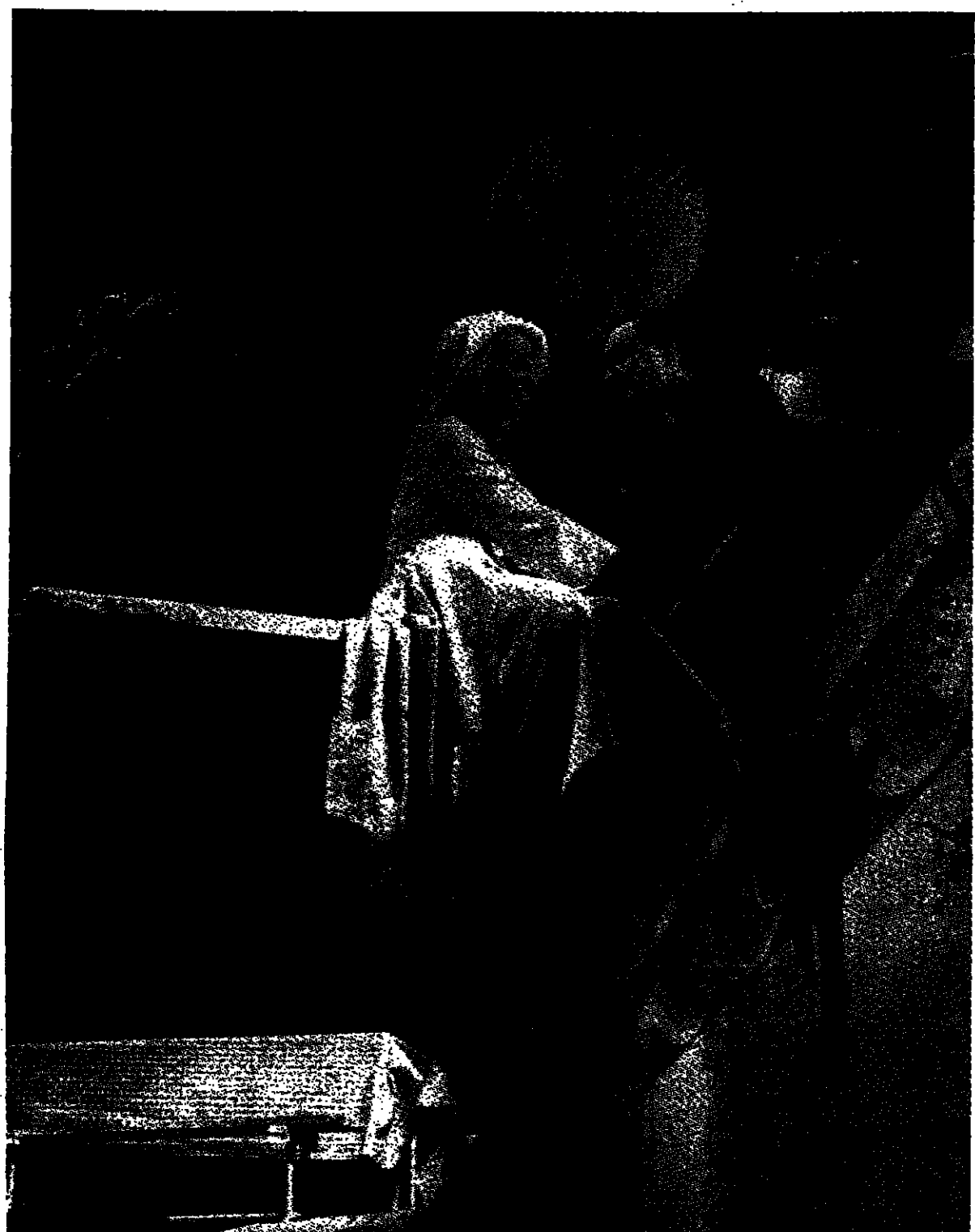
However, Luscombe's production makes no corresponding directorial comment upon events; throughout the first half of the evening we are presented with a simple romantic comedy set among the gilded youth of a bygone age, as the duplicitous siren Diana two-times nice-but-dim Kit and the newcomer to M. Maingot's little école, braided naval twerp Lt-Comdr Rogers.

It is diverting enough, but seems rather pointless. Sara Crowe relishes the opportunity to play a vamp rather than a *frégate*, though even with her voice dropped half an octave it retains echoes of the Philadelphia bleat which continues to haunt her. The mannered cynicism of Alan Howard (Louis Hilyer) as he watches the merry dance fails to add another dimension to the proceedings.

However, after the interval the mood crystallises brilliantly. As Kit and Rogers discover that they have been gulled and band together with Alan, it becomes clear that at the heart of the play lies a study in male friendship. It would be glib to ascribe this to the homosexuality of Rattigan, although it palpably informs his perspective.

The trio's drunken bonding carries only the faintest such overtones (the insatiation, although heavily written, is seldom overplayed, and indeed supplied a minor gift on the press night to Philip Rham as Rogers, who found himself having to perch upon a folding chair that had just broken).

As Alan finds himself on the receiving end of Diana's amorous attentions, he appeals to the loyalty



From romance-driven plot to masculine camaraderie: Sara Crowe and Louis Hilyer

of his new found comrades in arms for protection. The whiff of misogyny in the air is at least partially counteracted by the presence of the good and true Jacqueline, but the focus has now shifted decisively from the Diana-driven romance plot to the masculine

camaraderie of the three fellows. None would claim that *French Without Tears* makes greatly trenchant statements, but Luscombe succeeds in identifying and bringing out that additional undercurrent, just enough to redeem this from being an anti-

quoted light comedy production for its own sake.

Ian Shuttleworth

At the Palace Theatre, Watford, until December 2 (01923 225671).

## Concert/Antony Bye

## Help for Hindemith

As one would expect of a centenary year, 1995 has been something of a make-or-break time for the reputation of Paul Hindemith. After years of respectful neglect, his prolific and still little-known output has been performed in public as never before. A BBC Festival in January at the Barbican, *Hindemith the Rebel*, focused on his avant-garde works of the 1920s and 30s; the new staging of his operatic masterpiece *Mathis der Maler* for the Royal Opera, which opened on Thursday, has been entrusted to Peter Sellars, no less; and although the record companies have not exactly been hurrying Hindemith discs at us, the catalogue now includes a representative sample of his work. Even so, as a composer he still needs all the help he can muster: he has his devotees, certainly, but he has still to win the hearts and minds of both the general concert-goer and the modern-music specialist.

The 1995 International Hindemith Viola Festival, devised by the Japanese viola player

Nobuko Imai, presented in Tokyo in April and due in New York next February and March, touched down in London at the Wigmore Hall last week. It was certainly an inspired idea to combine Hindemith with a celebration of the undervalued string instruments, and a wise decision to place him in the broader context of the old - Brahms and Mendelssohn - and the new - specially commissioned pieces by Sally Beamish, David Horne and the ubiquitous Michael Nyman.

Wednesday's opening concert was an all-Hindemith affair, however, with Imai herself the generous-toned soloist in two familiar works for viola and small orchestra. If the conclusion of the spare and eloquent *Violin Concerto*, *Traversmusik*, written in a single day in memory of George V, was self-recommending, the (typical) bluster, more typical of the Hindemith style, of the folksong-impregnated viola concerto, *Der Schwanendreher*, and the op.44 *Schubert* pieces for amateur string orchestra,

was less heartening, despite the persuasive advocacy of the Royal Northern College of Music Chamber Ensemble under Tadaaki Otaka's spirited direction.

Yet relief was on hand, not by one of Hindemith's early radical works but by his late Octet, composed during the period when his reputation rested as much on his immense skill as a pedagogue as on his own music. Designed as a companion piece to the Schubert Octet, Hindemith's music here sweeps along with a generosity of spirit and a breadth missing from the earlier pieces, propelled by elegant counterpoint and sinewy rhythms which the London Sinfonietta despatched with enthusiastic and civilised abandon. Although Hindemith resorts to his usual academic trickery, he manages to transmute it into something rich and durable, suggesting that sometimes at least the master craftsman was capable of real, inspired art.

Sponsored by The Dunard Fund.

## Jazz/Garry Booth

## Shorter the super-sideman

Some jazz musicians have been through so many distinctive phases in their careers that people have different expectations when confronted by their hero in contemporary guise. Sixty-three-year-old saxophonist Wayne Shorter probably has three sets of fans, many of whom will have left the South Bank on Sunday night with a ringing in their ears and a yearning for the old days.

As composer, soloist and super-sideman he has been in the right place at the right time since he first fronted Art Blakey's barnstorming Jazz Messengers alongside trumpeter Lee Morgan in 1959. In 1964 he joined Miles Davis and, as well as adopting a more reflective style, contributed to the book of Milesian standards with "BSP", "Nefertiti" and "Footprints" among others. In 1970, with Joe Zawinul, he

formed Weather Report and, in the role of colourist rather than soloist, helped set in motion the jazz-rock wave which he rides today.

His current band, and repertoire (a new album, *High Life* on Verve) puts all those pieces of jazz life together, without quite managing to scale the heights achieved in any. Heard in the un-funky surroundings of the Festival Hall, the all new compositions, chunks of jazz rock, crunched along well enough. The band, all electric and deafening, were young and confident. Shorter's own playing, when he finally got underway, was characteristically gritty, gangsterish, brooding and baleful.

But such is Shorter's musical direction that each of the band - two keyboardists, bass guitar, electric guitar, drums and percussion - is placed upfront.

Tracy Wormworth's fretless bass bubbled ominously, David

Gilmore's electric guitar soared and rangy drummer Will Calhoun toughed up his kit expertly. Pianist Rachel Z (sic) alone offered elegant relief with sparkling lines and more measured improvisation. Shorter, also on short rations up until the closing numbers, blew brilliantly coruscating soprano.

How much more engaging this edition of Shorter would be, however, if the accompaniment were pared back to reveal more of the leader's original and sharp edged technique.

Take a note of the name Maria Jose, Shorter's support on the London date. The Portuguese singer, accompanied by piano, delivered an ear poppingly wonderful display of scat gymnastics - a meeting of searingly operatic Portuguese blues, *fado*, and Ella-esque witticisms.

Sponsor: Oris Timezones.

## INTERNATIONAL ARTS GUIDE

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## ANTWERP

EXHIBITION  
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Tel: 32-3-2385960  
● John Kormeling: exhibition of work by this Dutch architect/artist; from Nov 23 to Jan 14

## BERLIN

CONCERT  
Konzerthaus Tel: 49-30-203092100/01  
● Berliner Sinfonie-Orchester: with conductor Eliotish Inal perform Stravinsky's "Suite No.2", Varèse's "Amérique" and Dvorák's "Symphony No.9 (from the New World)"; 8pm; Nov 23, 24, 25

OPERA & OPERETTA  
Deutsche Oper Berlin  
Tel: 49-30-3438401  
● Un Ballo in Maschera: by Verdi. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. Soloists include Bolko Zvetanov, Vladimir Chernov and Julia Varady; 8pm; Nov 24

## BOLOGNA

EXHIBITION  
Galleria d'Arte Moderna  
Tel: 39-51-502859  
● Cahiers du Triangle: is the title of a series of exhibitions showing works by upcoming artists from France, Italy and Greece. This edition includes works by Bernardini, Cascio, Charpin, Manetti, Novati and Orgeret; from Nov 25 to Jan 7

## CHICAGO

OPERA & OPERETTA  
Civic Opera House & Civic Theatre  
Tel: 1-312-332-2244  
● Don Pasquale: by Donizetti. Conducted by Paolo Olmi and performed by the Lyric Opera of Chicago. Soloists include Paul Plishka, Ruth Ann Swenson, Bruce Ford, Jeffrey Black and Jeffrey Ray; 7.30pm; Nov 25

## COLOGNE

CONCERT  
Kölner Philharmonie  
Tel: 49-221-2040820  
● Kölner Rundfunk-Sinfonie-Orchester: with conductor David Shallon and viola-player Tabeta Zimmerman perform works by

Kodály, Hindemith, Bartók and R. Strauss; 8pm; Nov 24  
OPERA & OPERETTA  
Opernhaus Tel: 49-221-2218240  
● Die Zauberflöte: by Mozart. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Franz-Josef Seif, Rainer Trost, Harry Peeters and Amanda Halgerson; 7.30pm; Nov 23, 29

## HELSINKI

CONCERT  
Finnlandia-talo - Finlandia Hall  
Tel: 358-0-40241  
● Helsinki Philharmonia: with conductor Jon Martin and bass Yevgeny Nestenko perform works by Clurionis, Mussorgsky and Stravinsky; 7pm; Nov 23

## LEIPZIG

DANCE  
Oper Leipzig Tel: 49-341-1261261  
● Die Schöpfung: by Haydn, in a choreography by Scholz. Performed by the Leipziger Ballett and the Gewandhausorchester; 7.30pm; Nov 24

## LONDON

CONCERT  
Barbican Hall Tel: 44-171-6388991  
● An Evening of Opera with Lesley Garrett: the star of BBC2's "Viva La Diva" sings highlights from her albums in a concert of favourite arias and popular songs. Featuring the BBC Concert Orchestra with conductor Peter Robinson and special guests Sara Fulgoni and David Barrett; 8pm; Nov 25

Royal Festival Hall  
Tel: 44-171-9604242  
● The Royal Concert: in the presence of HRH The Duke of Kent. Works by Walton, Maw, Elgar, Purcell and Britten performed by the Royal National Theatre. Starring Anton Lesser, Alan Cox, Sarah Woodward, James Bolam and Andrew Sachs; 7.30pm, Sat & Wed also 2.15pm; from Nov 24 to Nov 30 (not Sun)  
Olivier Theatre Tel: 44-171-6330880  
● Mother Courage and her Children: by Brecht/Hera. Directed by David Hare and performed by the Royal National Theatre. Featuring Diane Kinn; 7.15 pm; Nov 23, 24, 25 (also 2pm)

LUXEMBOURG  
CONCERT  
Théâtre Municipal Tel: 352-470895  
● Michel Delbert: the pianist performs Schubert's Sonatas No.15 and No.21 and Debussy's "Préludes (Book 1)"; 8pm; Nov 23

LYON  
CONCERT  
Auditorium Tel: 33-78 95 95 95  
● Orchestre National de Lyon: with conductor Emmanuel Krivine and pianist Evgeny Kissin perform Tchaikovsky's "Piano Concerto No.1" and R. Strauss' "Ein Heldenleben"; 8.30pm; Nov 23, 24, 25

MADRID  
EXHIBITION  
Fundación Colección Thyssen-Bornemisza  
Tel: 34-1-4203944  
● Picasso in 1923. Harlequin with a

THEATRE  
Lyttelton Theatre  
Tel: 44-171-6330880  
● Wild Oats: by O'Keeffe. Directed by Jeremy Sams and performed by the Royal National Theatre. Starring Anton Lesser, Alan Cox, Sarah Woodward, James Bolam and Andrew Sachs; 7.30pm, Sat & Wed also 2.15pm; from Nov 24 to Nov 30 (not Sun)  
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Fundación Colección Thyssen-Bornemisza  
Tel: 34-1-4203944  
● Picasso in 1923. Harlequin with a

Mirror and The Pan-Pipes: exhibition investigating the relationship between Picasso's "Harlequin with a mirror" and "The Pan-Pipes", both dated 1923. The paintings mark the end of Picasso's neoclassical period. Along with the two key works, the exhibition includes a set of drawings and sketches from the same period, which illustrate the links between the paintings and their creative process; from Nov 24 to Feb 18

## NEW YORK

CONCERT  
Auditorium of The Metropolitan Museum of Art Tel: 1-212-5703949  
● Juillard String Quartet: perform works by Beethoven in its 50th anniversary season; 8pm; Nov 24  
Avery Fisher Hall  
Tel: 1-212-875-5030  
● New York Philharmonic: with conductor Kurt Masur in an all-Beethoven programme, including "String Quintet, Op.104" and "Symphony No.6 (Pastoral)"; 2pm; Nov 25

## PARIS

CONCERT  
Cité de la Musique/Musée de la Musique Tel: 33-1 44 84 45 45  
● London Baroque: with conductor Charles Medlam perform works by Purcell; 4.30pm; Nov 25  
OPERA & OPERETTA  
L'Opéra de Paris Bastille  
Tel: 33-1 44 73 13 99  
● Tosca: by Puccini. Conducted by Sefi Ozawa and performed by the Opéra National de Paris. Soloists include Galina Gorchakova and Keith Olsen; 7.30pm; Nov 23

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## COMMENT &amp; ANALYSIS



Edward Mortimer

## Detour on the road

Next year's intergovernmental conference to revise the Maastricht treaty will not deal with the policies that most need revision

An air of fatalism and gloom surrounds the preparations for revising the Maastricht treaty.

You might think, since Maastricht is so generally unpopular, that people would welcome the chance to improve it at next year's intergovernmental conference. Instead, the treaty-drafters of Europe are so demoralised by the reception they got last time that they dread having to go through the exercise again. Last week I even heard a senior member of the European Commission attempt to cheer himself up by saying that the pre-conference skirmishing was "no worse than before Maastricht".

The conference will start next year for one reason only, which is that Maastricht itself says it must. After negotiating and ratifying that treaty with such difficulty, the governments of the EU dare not ignore one of its most explicit provisions.

But they are doing their best to limit its scope. The conference is very unlikely to attempt any revision of the most topical and controversial parts of the treaty, which concern economic and monetary union. If the Emu timetable is eventually set aside, it will be under the pressure of events.

Never mind. The real task, we are told, is to prepare for enlargement. But it will not deal with the two policies that most need revision if enlargement is to work: the Common Agricultural Policy and the structural funds. Those will be the subject of a political negotiation, which powerful vested interests will delay as long as possible. The conference, by contrast, is a treaty-revising exercise. It will deal with institutions and procedures. Dry stuff, a complete turn-off for public opinion.

The British government favours enlargement, but is determined not to accept any "deepening" of the EU - that is, any further erosion of national sovereignty - as the price of widening. In this it is

both right and wrong, because deepening can take two very different forms.

If it means extending the competences of the EU into new policy areas, then it should indeed be opposed. The more member states there are, the greater their geographical, economic and cultural diversity, and the less feasible it becomes to harmonise too many aspects of their national lives. Indeed, some rollback of competences would be advisable.

But if deepening means enabling the Union to act more decisively and effectively where it does have competence, then indeed the more member states there are the more necessary it becomes. A community of six could take decisions by arguing each issue out around the table until a consensus emerged. Today's Union of 15 is already almost paralysed by its attempts to do so. Tomorrow's Union of 20 or 24 states will be completely paralysed unless the machinery is improved.

Before improving the machinery, however, it is a good idea to ask what we actually want it to do. What is the Union for? The Federal Trust, a London-based think-tank,

gives as good an answer as any in a paper published this week: the EU "has a responsibility for ensuring the future security and stability of the European continent".

Does that mean that it must become a military organisation? No, says the trust. "It would be expensive to replace Nato, and doubly expensive to construct a parallel system to it." But most of the post-cold war threats to stability in Europe do not lend themselves to a military response. It is the civilian aspects of foreign policy that are needed, and here the EU has powerful instruments: trade (especially access to its market), financial assistance, and in some cases the prospect of membership.

These are formidable levers for influencing the behaviour of neighbouring countries, whether in the former Soviet Union, the Balkans, north Africa, or the eastern Mediterranean and Middle East. But oddly enough they are levers that fall within the competence of the old (pre-Maastricht) Community. All that "foreign policy" adds (but it is a crucial addition) is the will and capacity to use those instruments in the service of a coherent strategy.

As soon as one realises that, one sees how perverse is the "three-pillar" structure, with its separate procedures for the traditional Community, foreign and security policy, and justice and home affairs.

Why devise a completely separate set of procedures for the foreign policy of the Union, when the means to conduct that foreign policy are those of the Community? It was a recipe for incoherence, and it has produced a lot of pointless turf battles which prevent anything much from getting done. The member states are on the watch-out for the Commission interfering in foreign policy, which they regard as their prerogative, while the Commission is obsessed with the fear that "pillar one" - traditional Community business - is being "contaminated with second-pillar [ie, intergovernmental] - procedures". No wonder the public is disgusted with the whole enterprise.

Yet that task of ensuring security and stability in and around Europe, is one that desperately needs doing. The argument about majority voting is largely beside the point. How often do national cabinets take a vote on foreign policy issues? What is needed is a collective brain, capable of thinking strategically, developing a foreign policy and arguing for it.

The most logical course would be to build that brain around Europe, is one that desperately needs doing. The argument about majority voting is largely beside the point. How often do national cabinets take a vote on foreign policy issues? What is needed is a collective brain, capable of thinking strategically, developing a foreign policy and arguing for it.

The most logical course would be to build that brain around Europe, is one that desperately needs doing. The argument about majority voting is largely beside the point. How often do national cabinets take a vote on foreign policy issues? What is needed is a collective brain, capable of thinking strategically, developing a foreign policy and arguing for it.

\* *Security of the Union, Federal Trust Paper 4, BEBC, tel +44 1802-715555, fax 715556, £7.95*



## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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## Possibility of default clearly seen

From Mr David J. Kidd.

Sir, Boris Allan (Letters, November 17) says the founders of the US did not foresee a situation where legislators might put the US in default. He underestimates the American revolutionaries.

Thomas Jefferson, author of the Declaration of Independence and third president, clearly contemplated default in specific situations to preserve liberty. Government debt is merely deferred taxation. An unfettered power to borrow is indistinguishable from an unfettered power to tax both are regressive to a free people. Both destroy the natural right to property and to the fruits of one's own labour.

Writing to James Madison (September 6 1789), Jefferson said that the earth belongs to the living, which he called "a fundamental principle of every government", and one generation of men has no right to bind another: "Suppose Louis XV and his contemporary generation had said to the moneylenders of Holland give us money that we may eat, drink and be merry in our day. The money is lent on these conditions, is divided among the people, eaten, drunk and squandered. Would the present generation be obliged to supply the prodigal of their labour to replace these dissipations? Not at all."

He advocated a constitutional provision declaring long-term government debt null and void and referred to "the inattention of money lenders to this law of nature, that succeeding generations are not responsible for the preceding," he referred further to the ruinous power of European governments to contract enforceable long-term debt as the means by which "despots bind in chains their fellow-men".

David J. Kidd,  
1 Devonshire Street,  
London W1N 2DR, UK

## Appreciation

From Mr Justin Millward.

Sir, I am not the least surprised by Stephen Pettitt's comment that "writing about Michael Nyman's music has got me into trouble in the past" ("Nyman's rough music", November 14). He consistently fails to appreciate, as do many of his fellow music and arts critics, that in a modern creative environment, less is usually more.

Justin Millward,  
Jayrise,  
Butcombe,  
Nr Bristol, BS18 6UT, UK

## S Africa approach on Nigeria demonstrates genuine leadership

From Ralebelo Motsamai.

Sir, The coincidence of South Africa's policy with its actions in respect to Nigeria demonstrates the genuine world leadership emerging from this country ("Mandela in protest to Shell chiefs over Nigeria", November 21). This gives hope for both Africa and the world, particularly in the face of the wishy-washy flexing by UK prime minister John Major and Bill Clinton, US president, and the rest of the first-world powers.

This consistent approach, seemingly based in a common human ethical ground, gives hope for resetting the

imbalances perpetuated by the selfish distributive of the so-called first-world nations with their policies based upon short-term maximum individual (financial) gain.

When was the last (first?) time that superpowered watchdog, the US, gave moral leadership which in turn genuinely stood to undermine its financial comfort? Too bad that Colin Powell has not declared his candidacy for 1996.

Ralebelo Motsamai,  
Temple Architecture,  
225 East 4th St #23,  
New York, NY 10009,  
US

## Negative

From Mr Joke Backus.

Sir, Why is it that a weakening pound is seen in such a negative way by the press? For example, in Philip Gawth's currency markets article (November 20), phrases such as the heading, "Danger signs for sterling", and "... recent history suggests this should help sterling", are used. It is exporters that are helping to take the UK forward and out of recession, and it is Britain's growing export business that helps to create jobs and the wealth of the nation, not the "... more aggressive speculators" you mention.

Joke Backus,  
regional director Americas,  
Jeyes International,  
Brunel Way, Thetford,  
Norfolk IP24 1BA, UK

## Tax alternative a sleight of hand

From Mr Gordon Brown MP.

Sir, Mr Andrew Dilnot, director of the UK Institute of Fiscal Studies, referring to Labour's long-term ambition to cut the starting rate of income tax to 10p in the pound as a "gimmick", claims that his alternative proposal to increase allowances would be more progressive ("Conservatives scorn Labour plan for tax cuts", November 20).

But Mr Dilnot's published figures, in fact, confirm that cutting the starting rate of tax is not only much fairer than cutting the basic rate of tax, but also fairer than simply raising allowances which disproportionately benefit top-rate taxpayers.

Mr Dilnot's only answer is a sleight of hand: to combine higher allowances with "other adjustments to ensure richer individuals do not gain more than poorer individuals". By this he means that "the point at which higher rate tax is

charged is adjusted accordingly", which means an offsetting tax increase for higher-rate taxpayers.

But Labour's proposals are fairer still because, as I said last weekend, we will combine a cut in the starting rate of tax with an equivalent cut in benefit taxes.

Mr Dilnot ends his analysis by claiming that trying to improve the work incentives of the unemployed and low-paid by cutting the starting rate of tax is a mistake because so few of these hard-hit groups are 20p tax payers.

This is precisely the problem Labour's welfare-to-work proposals are designed to address. The real scandal in today's modern labour market is that one in five non-pensioner families have no-one in work, compared to one in 12 in 1979. People are trapped by inadequate work opportunities, low skills and the low wages they can command in work, and a

welfare state which traps people in dependency because of punitively high marginal tax and benefit rates.

My speeches proposed a new approach to employment, tax and social security policies to get workless families back to work and on to the lowest tax band.

In short, Mr Dilnot's analysis does not support his over-the-top rhetoric. And his conclusions are based on a static view of the world which does not take into account the dramatic changes which have occurred in our increasingly dynamic labour market over the past decade or so. Labour's welfare-to-work proposals, of which a cut in the starting rate of tax are an integral part, are based on such an understanding.

Gordon Brown,  
shadow chancellor of the exchequer,  
House of Commons,  
London SW1A 0AA, UK

## City of London will lose if UK not in Emu

From Mr John Szemerey.

Sir, Good to see a leading banker warn the government of the dangers of opting out of the single European currency. ("London 'could suffer' if UK stays out of Emu", November 18).

Lord Alexander, chairman of National Westminster Bank, is right to point out that an inevitable result of staying out of a European currency and monetary union (Emu) during its early years is that the City and UK industry will be damaged. If a future government does not reverse such a policy, much financial business will transfer to Frankfurt, Paris, Milan and other European financial centres, and the City will be reduced to merely a regional European financial centre.

Similarly, external investment in the UK may well be reduced, preferring to go to a European country in the single-currency area rather than invest in the UK and risk the instability and expense of a floating currency that is at the mercy of world influences.

British industry will also suffer from these same elements, instability and the extra costs of a currency that cannot hold its own against a much more stable European currency.

Six months ago a high-level Conservative policy group that I have the honour to chair warned ministers and policymakers within the Conservative party that "if Britain stays out of the single European currency for long, the City may be damaged beyond repair... Germany is

preparing to be the European Union's financial centre while British short-sightedness risks destroying the City".

By the middle of next century the Ecu could replace the ailing dollar as the currency in which most world trade is done. If John Major's government opts out of the single currency, it will have thrown away the enormous trading advantage of using an international currency as its national currency. What a price, just to keep a handful of Eurosceptics happy!

John Szemerey,  
chairman, policy group,  
British Conservative  
Association in Belgium,  
76 Marxlaan,  
B-3090 Overijse,  
Belgium

## Personal View · Francis Ghilès

## Spend wisely not lavishly

A new 'multifund' could help anchor southern Mediterranean countries to the EU

Three years ago, the European Union more than doubled development aid spending on the 12 Mediterranean and north African countries on its so-called "southern rim" to Ecu4.04bn (£5.2bn) over four years. Some will no doubt be clamouring for even more money for the region at next week's EU Mediterranean summit in Barcelona.

Such calls should be strongly resisted. More funds alone would do nothing to increase the pace of economic growth and the number of jobs available to a fast-rising population in the 12 countries, which include Egypt, Morocco, Algeria and Turkey.

The real challenge for the EU is how to get better results from existing funding. That means addressing two serious problems.

The first problem is that actual investment remains low. This is in spite of the availability of plenty of EU capital and many worthwhile investment projects. The second problem is that private and public financing rarely work well together.

Countries such as Morocco, Tunisia and Jordan have been going through a quiet "cultural revolution" since the mid-1980s. Domestic financial mar-

kets are developing fast and attracting funds which are invested in the real economy.

Stock market capitalisation in Egypt, Morocco, Jordan and Tunisia remains small, however, at \$20bn overall. This compares, for example, with \$130bn in Singapore. It is a similar story with private investment flows: between 1982 and 1992, southern rim Mediterranean countries attracted just 6.7 per cent of total private investment going to non-Organisation for Economic Co-operation and Development countries.

It needs also to be borne in mind that the industrial fabric in these countries consists largely of small and medium-sized family businesses. The corporate culture of these enterprises does not set much store by clarity of accounting procedures. Profits are often reinvested with the aim of maximising return on capital or of avoiding taxes. Fully 60

per cent of corporate profits in Morocco are reinvested in property, to the detriment of more productive forms of investment. The capital of these companies is only slowly being opened to outside investors.

Local banks, furthermore, usually ignore the needs of these companies - in particular the more modern-minded ones. Decision-making in these banks remains a legacy of the past - highly centralised and opaque - and the vast majority of loans are short-term. The result is that even well-informed local entrepreneurs have to face down the conservatism of their country's civil service, which often prefers to allocate funds to state-owned, rather than private, companies.

As a result private industry is cut off from the financing earmarked for it by Brussels and Washington. Local banks add insult to injury by claiming there is no demand for long-term finance, although few of them have the capacity to identify good investment projects.

Moreover, existing lines of foreign credit tend to be monopolised by large local companies, which are usually state-owned.

These difficulties raise the question of why the more dynamic smaller companies, on both sides of the Mediterranean, are not more closely associated with the management of these credit and investment lines.

A critical mass of such lines does exist in addition to the EU money, an estimated

\$138bn worth of funds is held offshore by residents of Egypt, Algeria, Morocco, Jordan and Tunisia. If only a fraction of this were invested in southern rim countries, the impact on growth rates would be substantial.

Structures to transfer funds also exist and they are becoming more diverse. Yet the extreme difficulty of harnessing funds of diverse origin and getting them to work together effectively is often crippling.

An idea recently floated by Mr Abdelrahmane Hadj Nacer, chairman of the Paris-based GP Banque, a bank specialising in investment in southern rim countries, may help to address this.

Mr Hadj Nacer envisages a partnership between an EU-sponsored "multifund", which would have the role of attracting money from a variety of private and public investors, and a series of locally based investment funds which would seek out suitable opportunities for using it.

Such a fund of funds could help change the status of southern rim countries from a virtual terra incognita for private western investors into a more attractive proposition. This could, in turn, help the EU to achieve its ambition of creating by 2010 a free-trade zone anchoring these countries to the European market, as well as its broader strategic aim of stabilising the Mediterranean region.

The author is founder of FCG Associates, a consultancy specialising in Mediterranean affairs

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## FINANCIAL TIMES

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## Making the peace stick

For the past three weeks, the leaders of Bosnia, Croatia and Serbia have inched their way, full of suspicion and mutual hostility, towards a peace deal in their war-torn lands. Locked away from the glare of publicity on the US air force base at Dayton, Ohio, they have been begged and bullied towards agreement under all the diplomatic and moral pressure that the US can bring to bear.

Yesterday a deal was done. That must be warmly welcomed as the biggest step yet towards a lasting peace in the region. It is a tribute to the negotiating skills of the US team and their European allies. But it will require months, if not years, of dedication and commitment from all concerned to ensure that peace really comes to pass. The three weeks of negotiation will undoubtedly prove to have been the easier part. The tough bit is to make it stick.

Both Croats and Serbs were ready to accept the deal in the final hours, while the Bosnians were obviously very doubtful. They sought to persuade the outside world that the peace talks were falling apart. Yet again, it is clear that it was Bosnia, the main victim of all the fighting, and battleground for the aggressive ambitions of its bigger and better-armed neighbouring states, which has had to make the biggest concessions. That was also the case under all the previous European peace efforts, and it is now the only outcome which the US has been able to broker.

Of course it is a sorry solution

that the aggressors should be rewarded for their aggression. But President Bill Clinton insists that the deal will preserve Bosnia as a single state, within its present borders and with international recognition. He also says that individuals charged with war crimes - which means Mr Radovan Karadzic, the Bosnian Serb leader, and General Ratko Mladic, his military commander - will be excluded from political life of the country. But there is little doubt that the divide between the Bosnian-Croat federation, on one side, and the Bosnian Serb area, on the other, will be deep. It will also be highly unstable. Thousands of families have been torn from their land in the terrible process of ethnic cleansing on all sides.

President Slobodan Milosevic of Serbia, whose dreams of a Greater Serbia played a big part in precipitating the Balkan tragedy, must now sell the deal to the Bosnian Serbs. But much will also depend on the organisation and commitment of the peace implementation force to be despatched by the US and its Nato allies. Mr Clinton has to persuade a very dubious Congress that 20,000 US troops can and should be sent to participate. If they are not, the whole peace effort could come apart.

US involvement in the peace process has been the essential factor in forcing the warring parties to do a deal. A lasting US commitment to the process - way beyond the next presidential elections, if necessary - is now equally essential to make it stick.

## Boardroom splits

The obvious point about corporate governance to be made after the bust-up at Cable and Wireless is that a board which contains both an executive chairman and a chief executive risks an explosion. That must be especially true in a company like this, which faces a series of crucial decisions about its future strategy.

C&W has a very profitable position in Hong Kong in many other parts of the world it is trying to build up a presence in the face of established competitors, and to form links with a range of telecommunications giants. The scope for disagreement about the various choices open to the company is enormous: it needs one person who is clearly in charge, and who has the confidence of the board, to make things work. This it obviously has not had.

The second point, concerning the role of the directors, will take longer to determine. C&W has a roster of half a dozen impressive non-executive directors. It seems startling that they allowed relationships to deteriorate to this extent. It is not as though the chief executive's concern about his chairman's entrepreneurial style had been any great secret in recent months.

Having reached the point of crisis, it also seems remarkable that they were unable to choose between the two key players, both have had to go. But they may have faced an impossible task, at least in the past week or two.

They could have found it difficult to find a new chief executive willing to work under the chairman, Lord Young, who had already managed to lose a number of senior figures from the top ranks of the company. And if they did not have complete confidence in Mr James Ross, the chief executive, the other option would have been closed to them as well.

All the same, this affair shows the limitations of what can be expected from non-executive directors, however well qualified they may appear on paper. In the end, it is the personalities of the senior executive directors that make the difference: in this case, there seem to have been serious incompatibilities stretching back over a period of time.

One issue has now been resolved: the new chairman has been appointed on a non-executive basis. The question is whether the company will now be granted the time to appoint a chief executive and build an agreed strategy, or whether some predator will attempt to take advantage of the current disarray.

A final thought: you could see why C&W, which has to develop delicate relationships with governments around the world, would want to appoint a political figure like Lord Young as chairman. The mistake was to allow confusion about his role. GEC also tends to appoint politicians to its chair, but has never left any doubt about who calls the shots.

## Emu worries

The British prime minister is worried about European economic and monetary union. He is not alone. But Mr John Major's concern is not about the single currency, but about the "variable geometry" - the idea that countries should not participate equally in all aspects of the European Union's work - is apparently now disturbed by its consequences.

"In some areas of policy," Mr Major argued in his speech at the lord mayor of London's banquet on Monday, "variable geometry may be sensible, indeed inevitable. But it needs to be thought through. For instance, how would a single currency and the currencies of the rest of the EU co-exist? How would European institutions serve the interests of those countries which adopted the single currency and those who didn't? What would it mean for the Community budget? What would it mean for the single market?"

France does fervently believe that a single market needs currency stability and, ideally, a single currency. Countries outside must, argue the French, bind themselves not to engage in competitive devaluation. But why should Mr Major, who heads a country held by France to be one of the practitioners of competitive devaluation, profess worries on this score? Emu would, in any case, merely prolong the existing situation within the single market. This would be intolerable only if the situation were intolerable

and something could be done about it. But nothing can be done about it, short of pushing everyone into Emu.

This Germany refuses to accept, preferring a small union among low inflation currencies to a wider union of higher inflation, unstable currencies. Given this decision, Emu would make Europe's chief currency just a bigger D-Mark. Members of the narrow Emu may then try to co-ordinate a wide range of policies, which would create a politically dominant voice in the EU. This would be extremely unwelcome to the UK. But if the UK is concerned about this danger, it should not let itself be excluded.

A number of administrative arrangements will indeed have to be thought through, such as monetary arrangements between Emu members and others and what currency to use for budgetary purposes. But these do not seem particularly difficult.

It is puzzling why the absence of currency arrangements between Emu members and those outside should worry a man prepared to live with floating exchange rates - and why he fears Emu might increase the threat of currency instability to the single market. If the hard core were to become a mini political union, the EU would indeed be profoundly altered for those outside. But one cannot hope to enjoy the benefits of being outside and inside at one and the same time.

## The myth behind the miracle

Tony Jackson asks how far corporate America's golden years of prosperity were based on an unrepeatable set of advantages

The resurgence of corporate America, it seems, is an established feature of the 1990s. Even at this late stage in the economic cycle, growth in company profits is running at around 20 per cent a year. Many chief executives, already rubbing their hands over their annual bonuses, will tell you there is more to come.

In the past five years, they say, US industry has put in immense efforts to restructure and reform itself. While the latest economic upturn may have helped, it is not at the root of the recovery. American companies have pulled themselves up by their own bootstraps.

It seems a far cry from the days when America was fearful of being eclipsed by the emerging giants of Asia. Now, with Japan in particular sunk in depression, US confidence has risen proportionally. "Technology is transforming the US economy into the most productive in the world," trumpeted the cover of the US magazine *BusinessWeek* last month. "Higher living standards seem inevitable."

Some more reflective US business leaders are less sure about that. Mr George Fisher, chairman of Kodak, points to the disturbing effect of dollar weakness against the yen and D-Mark. "Much of our industry looks better than it really is," he says. "And because of the domestic situation in Japan, some Japanese companies don't look as strong as they really are."

Mr Fisher remains basically bullish on US competitiveness. A number of economic studies are less so. They share two common themes. First, America's performance must be judged over decades, rather than the latest cycle. Second, the final test of a nation's economic strength is not the profitability of its corporations, but the prosperity of its people.

The supposed decline in the American standard of living is a familiar and hotly contested topic. While the average hourly wage, for instance, has fallen by 1 per cent a year in real terms since 1974, adjustments need to be made for non-wage benefits such as pensions. Even so, it seems clear that the real income of the average family has remained flat for two decades.

Meanwhile, the US infant mortality rate is among the highest in the developed world. America's schoolchildren rank last among the big industrial nations in their grasp of science and mathematics. And while America's postgraduate education remains among the world's finest, the cost has risen by at least a third in real terms since 1980, far outpacing the average family's capacity to pay for it.

At the same time, US corporations have reduced spending on capital investment and research and development, at least in relative terms. Capital expenditure is now running at around 2 per cent of gross domestic product, half the 1980 level. R&D expenditure, which grew at three times the rate of the economy in the period 1953-83, has since then lagged behind.

Among the various explanations for this, one of the gloomiest comes from the US economic historian and journalist Mr Jeffrey Madrick. In a recent book he argues the economy, after well over a century of remarkable expansion, hit the buffers with the first oil shock of 1973.

From the civil war until 1973, Mr Madrick computes, average real annual growth in US GDP at about 3.4 per cent. Since then, it has run at about 2 per cent. Year by year, the difference is slight. Over time, the effect is devastating.

Mr Madrick's explanation of the change falls under two headings. First, America historically possessed the huge advantage of the biggest developed market in the world. Second, US companies pioneered the methods of mass production to serve that market.

Since then, the growth of world trade has robbed the US market of its unique character: other regions round the world have forged markets on an American scale. At the same time, mass production has been superseded by Japanese-style flexible manufacturing. As part of its recent restructuring, US industry has now caught up with these methods, but it has lost its comparative advantage.

The same applies in perhaps the most important area of all, technology. Take one of the most doggedly competitive of all US companies, General Electric. Besides being America's biggest company by market value, it continues to slog it out with international competitors in high-tech markets ranging from aero engines to medical equipment.

Mr Lonnie Edelheit, GE's head of research, is careful to defend GE's research record. R&D spending is running at about \$1.7bn a year, and is highly productive. The company is filing for more patents than ever, at around 1,600 a year.

But, he concedes, spending is lower than it used to be. This is partly because of budget cuts at the US Department of Defence, which traditionally played an important role in funding US industry. Even excluding the defence contribution, R&D is declining in relation to sales. GE long since abandoned basic research as unproductive. Now, its longer range applied research is shrinking too, in favour of more immediate projects.



## OBSERVER

## Brussels roundabout

There are some long faces in Sir Leon Brittan's cabinet. Faced with the task of appointing a new chief of cabinet at the former British trade and industry secretary has overlooked the ambitious types in his own cabinet, and brought in a career UK civil servant.

Ivan Rogers, 55, an ex-Balliol man who used to be private secretary to chancellor of the exchequer Kenneth Clarke, will soon be packing his bags and joining Sir Leon. He knows his way around Brussels as he has been at Clarke's side during the endless Eurozone meetings.

Nevertheless, the appointment has raised eyebrows and Rogers' success will be measured by his ability to bring the best out of the more disgruntled of his new colleagues.

It was interesting to see if Mrs Rita Bjerregaard, the Danish commissioner whose unofficial unpublished diaries on life in Brussels made gripping reading, makes as brave an appointment to the new vacancy in her cabinet. John Iversen, her embattled press spokesman, has decided that returning to Strasbourg as a Danish MEP, is a much safer bet than defending his trouble-prone Danish commissioner for the environment.

Prospective candidates should

know Mrs Bjerregaard prefers Danes, that knowledge of the environment might not be absolutely necessary, but that an ability to catch flak is essential.

## Decisive moment

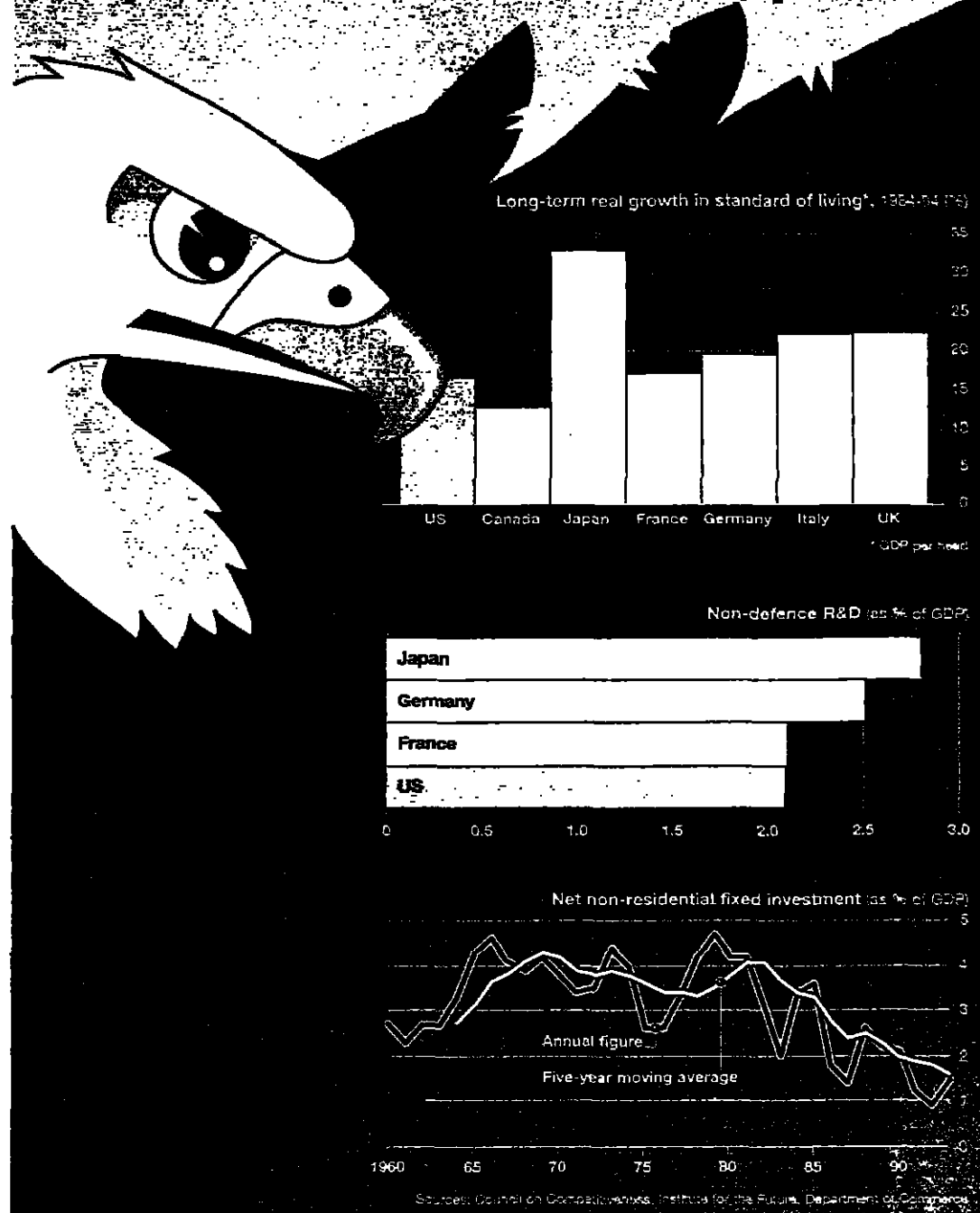
When European Union ministers hear the word culture they reach for their - scattergun.

Nine cities have been fighting for the title of European Culture Capital in the year 2000. So how do you weigh the relative merits of Avignon, Bergen, Bologna, Brussels, Krakow, Helsinki, Prague, Reykjavik and Santiago de Compostela? Spanish culture minister Carmen Alborch Bataller acknowledged it was a tricky one. So he and fellow ministers decided to approve all nine. A useful technique that might be borne in mind by his financial colleagues if they reach a real impasse in the single currency talks?

## Deutsche dust

So the dust has yet to settle at Deutsche Morgan Grenfell. As the German bank integrates its investment banking activities, it is losing some high profile people on the way. Last week, corporate finance head Guy Dawson packed his bags for Merrill Lynch. Now Deutsche Bank's head of equity research, 47-year-old Thomas Neisse, is off.

## Competitiveness: is the US too complacent?



Mr Edelheit's explanation is historical. Take, he says, his company's invention of the modern X-ray tube in 1913. At the time, GE was probably the only place in the world with the relevant technology.

"Even in the mid-1970s," he says, "when we invented the CAT scanner [a medical scanning device], very few companies could have done it, and not the Japanese. But now everyone has the technology: Siemens, Philips, Toshiba, Hitachi, the Koreans and the Taiwanese. Everything we do has to be done more quickly."

Looking forward, his point can be illustrated by perhaps the most explosive innovation of the late 1990s, the Internet. This is an American invention, and indeed had its earliest origins in the now cash-strapped US Department of Defence.

American expertise with the Internet, the worldwide computer network, has already created a generation of millionaires, one of the most striking being 24-year-old Mr Marc Andreessen. Netscape, a company he co-founded last year to provide software for the Internet, now has a market value of more than \$4bn.

But there is nothing proprietary about the Internet. In theory, Mr Andreessen's feat could be matched tomorrow by any bright graduate student with a personal computer in Madras or Shanghai.

Mr Fisher of Kodak does not disagree with this. The Internet, he says, is part of the democratisation of software. The useful life of technology is getting steadily shorter.

But that, he says, is all part of the game. "It comes down to cycle times. You have to do it faster, in an environment which is increas-

ingly based on open standards and systems. I think intellectual property, whether in hardware or software, is more important than ever. It's just that the time advantage is shrinking."

And, he is clear, America is up to the job. "There have been significant improvements in US industry in respect of the fundamentals: in quality and cycle times, whether in factories or in new products. These are real, and I think they're permanent if people keep up the pressure."

That in turn may be beside the point. The issue is no longer whether US industry can hold its own in an increasingly competitive world: it can doubtless do so. The question is rather how far the golden years of American prosperity were based on an unrepeatable set of advantages: in markets, technologies and manufacturing techniques.

"The last couple of meetings," he says, "the mood has been that we're back to the old days and everything's okay. That's not the world I know."

*'Council on Competitiveness: Human Resources Competitiveness Profile. Institute for the Future: The Future of America's Research-intensive Industries. The End of Affluence (Random House).*

## Financial Times

## 50 years ago

Washington: Why Worry? For several weeks now we have been hoping for news of an Anglo-American financial agreement, but a succession of difficulties has arisen to prevent a completely satisfactory solution. There can be no doubt that a breakdown in these negotiations would be regarded as a major disaster in Whitehall. Yet the general public appears largely indifferent. There is a tendency to argue that if the Americans are not prepared to grant us a loan we shall get along somehow, so why worry?

To answer this raises some fundamental questions - including the relative advantages of bilateral and multilateral trading and the possible political as well as economic consequences of a trade war with the United States. There can be no doubt, as Lord Keynes has acknowledged, that a solution of sorts would be to do the best we could with the resources still at our command and aim at emerging from our difficulties with as little outside aid as possible.

Can we expect the sterling area to grant us all the credit we shall need in the next few years? We shall undoubtedly have to buy some things from foreign countries to prevent too drastic a fall in our standard of living.

## Check it out

The Barclay brothers may have successfully fulfilled a 30-year dream in acquiring the Ritz Hotel. But their almost obsessive acquisitiveness sits a bit oddly with all that glad-handing necessary to sustain such a grand old institution. What they need is a well-connected chairman for their new £75m pad.

As it happens, the very man is more or less on their doorstep - in the offices of Chime, Sir Tim Bell's holding company in which the Barclays hold a stake. Giles Shepard has been taking refuge there since he stood down from the managing directorship of the Savoy last year.

## Casting his net

Whatever happened to Jacques Attali since he was left office as president of the European Bank for Reconstruction and Development? Attali, 52, who used to be President Francois Mitterrand's closest adviser, has been keeping his head down. But he's resurfaced in an article on the Internet for the December issue of Prospect, a UK monthly magazine, wherein he chooses to describe himself as "a writer living in Paris".

Of course, readers of Le Monde will have already supped at this table. For Prospect's article bears a striking resemblance to a piece Attali penned earlier in the month for that publication. The only difference is that in Le Monde he was billed as a former special counsellor to President Mitterrand, former president of the EBRD, and member of the Conseil d'Etat.



## Royal fans across the globe tune in to Diana

In Australia, a country which loves its soap operas, it was the most watched programme in its television history. In the Netherlands, more than half a million people tuned in.

The Frank interview given by the Princess of Wales to the British Broadcasting Corporation on Monday was compulsive viewing for royal watchers across the globe.

But the interview, in which the princess admitted committing adultery with a former cavalry officer and said she did not expect to become queen, caused consternation in the UK's royal household and among British MPs. Conservatives said it was likely to increase pressure for the royal couple to clarify their constitutional position by divorcing.

Many MPs appeared sympathetic to the Princess's predicament, reflecting overwhelming public sympathy. But most said the open divisions between Prince Charles and his wife could not be allowed to continue indefinitely.

As the interview continued to appear on millions of television screens around the world, Princess Diana remained out of sight in Kensington Palace. Prince Charles, on a visit to Newlyn, Cornwall, ignored questions about the programme.

Buckingham Palace sought to calm suggestions of a constitutional crisis by offering talks with Princess Diana to help define her future role.

A conciliatory statement, issued on behalf of the Queen, the Duke of Edinburgh and the

Frank BBC interview attracts record audiences, write Kevin Brown and Raymond Snoddy



Prince Charles boards a trawler in the south west English town of Newlyn yesterday

Prince of Wales, was said by officials to reflect the royal family's generous, constructive and helpful approach to the princess.

Mr John Major, the Prime Minister, also sought to defuse the impact of the broadcast, in which the Princess also cast doubt on the Prince's suitability to become king, and spoke of the royal household as her "enemy".

A senior official said Mr Major had not seen the interview, although he was expected to have

discussed it with the Queen during his weekly audience at Buckingham Palace last night.

The official said Princess Diana's constitutional right to become Queen consort had not changed since the couple separated three years ago. He said Mr Major expected the princess's "useful" overseas tours to continue.

Mr Nicholas Soames, the armed forces minister and long-standing friend of Prince Charles, was criticised by MPs for accusing Princess Diana of "paranoia", and insisting that the prince was "thoroughly prepared" to become king.

The Australian Broadcasting Corporation, which bought the one-hour programme from the BBC for a bargain A\$75,000 (\$55,000) under their long-term link, repeated the entire interview in peak evening viewing time last night. Only the Royal couple's wedding in 1981 drew anywhere near the same interest among Australian viewers.

In Holland - like the UK, another monarchy - tales from the Dutch broadcasting organisation showed that 530,000 switched to the BBC to watch the hour-long programme, the Dutch ANP news agency said.

Power demand surges as Diana show goes live, Page 11  
Observer, Page 17

## Leader of Chinese dissident movement faces trial

By Tony Walker in Beijing

China announced yesterday that the leader of a dissident movement would be tried on charges carrying the death penalty, in a move which seems certain to affect fragile Sino-US relations.

The official Xinhua news agency said Mr Wei Jingsheng had been arrested for "engaging in activities in an attempt to overthrow the Chinese government". He had been charged after an investigation by Beijing's municipal public security department.

In Beijing, a US official said: "This certainly will not be helpful." Sino-US relations have been rocked this year by arguments over Taiwan and other issues, but had improved after a meeting in New York last month between the leaders of the two countries.

The 44-year-old Mr Wei, who is regarded as the father of China's dissident movement, was previously sentenced to 15 years' jail in 1979 on similar charges. He was released on parole in 1993, but was detained 20 months ago and had been held incommunicado ever since.

The timing of China's decision to press charges against Mr Wei is certain to be regarded as cynical, since it comes just days after a summit in Japan of the Asia Pacific Economic Co-operation forum, which was attended by Chinese President Jiang Zemin.

It also follows Mr Jiang's visit to New York in October to address the United Nations 50th anniversary celebrations. His meeting with President Bill Clinton coincided with those events.

The official Xinhua report said a police inquiry showed "Wei had conducted activities in an attempt to overthrow the government after his release on parole. His actions were in violation of the criminal law and constituted crimes".

At the least, Mr Wei faces another long jail sentence and his case will almost certainly become something of an international human rights cause célèbre. Human rights activists in the US and their supporters in Congress can be expected to be especially vocal on the issue.

Mr Wei first came to world notice in 1979 as one of the leaders of the "democracy wall movement" in China in which dissidents openly displayed their views in posters on the wall of a bus station in Beijing. He had forcefully advocated democracy for China, describing it as the "fifth modernisation" and had openly criticised Mr Deng Xiaoping, the paramount leader.

Mr Deng had recently unveiled the four modernisations programme which had focused on industrial, scientific, agricultural and military advances.

During his parole last year Mr Wei did not hesitate to criticise China's human rights behaviour.

## THE LEX COLUMN

### Young & Ross-less

Cable and Wireless has recently looked more like Britain's royal family than a serious corporation. Like the Princess of Wales, Mr James Ross, chief executive, promised not to go quietly. Fortunately, unlike the royal family's squabble, C&W's dispute has taken less than a week to resolve.

While the shenanigans have been messy, shareholders should be pleased at the outcome. The power struggle at the top of C&W has prevented the group from steering a clear course. Though Lord Young, executive chairman until yesterday, and Mr Ross have their qualities, both are to blame in differing ways for the group's confused strategy and poor management. A clean sweep will allow a fresh start - which would not have been possible if either had stayed in his post.

The non-executive directors adhered about which of the warring parties to back, but in the end have come up with the right solution. They also will not repeat the mistakes of entrusting the company to an executive chairman and a chief executive. Other companies should note that, while the principle of splitting the roles of chairman and chief executive is sound, the chairman in general should be non-executive.

Whoever is recruited as the next chief executive - and it should be an outsider - will need to review both strategy and management. The ill-conceived "federation" strategy should be jettisoned. Instead, the new leader should weld C&W's worldwide operations into a single entity. That would boost its share price, since C&W is currently viewed more as an investment trust trading at a big discount to the sum of its parts than an integrated company. If the new management were willing to contemplate surrendering C&W's independence, the upside would be even greater. The group encompasses a unique spread of assets which would be appealing to many international telecoms groups.

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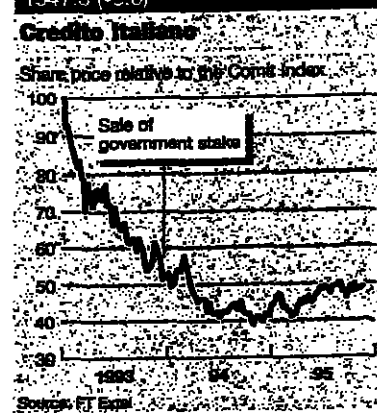
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FT-SE Eurotrack 200:  
(1547.3 (-5.6))



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## Dasa faces action over plan to sack 9,000

Continued from Page 1

over DM1.5bn (\$1.07bn), which resulted largely from exchange rate loss provision for Dasa.

Over the last six weeks, Dasa workers have staged demonstrations in several German cities, culminating in a one-day walk-out on Monday.

Senior politicians from the Social Democratic party (SPD) have publicly pledged to fight for jobs at the company. At last week's SPD party conference in Mannheim, Dasa workers staged

a heavily publicised protest. Mr Alfred Tacke, state secretary at the economics ministry in SPD-controlled Lower Saxony, said Dasa's decision had met "great bewilderment". He predicted a "long-lasting dispute" unless Dasa agreed to compromise.

Under German labour laws, yesterday's formal decision will be followed by extensive consultations between Dasa's management and works councils. However, the company has made it clear that it will not compromise on its plans for annual savings of

DM700m. As a result, the margin for compromise is small. Wage restraint and more flexible working hours could reduce the impact, but short and flexible working hours are already common practice in Dasa factories, leaving little headroom for productivity gains under present staffing levels.

The annual cost savings of DM700m would allow the company to hit the target imposed by Daimler-Benz of a 12 per cent return on equity at an assumed dollar rate of DM1.35.

## Russia

Continued from Page 1

has simply failed to pay hundreds of defence contractors.

But, while the government's tight-fisted measures have helped stabilise the exchange rate of the rouble and brought inflation down to its lowest levels since the collapse of the Soviet Union, the painful side-effects of austerity could hurt the current administration when voters go to the polls in parliamentary elections scheduled for December 17.

## MPs back 'cold calling' ban

Continued from Page 1

amendments, leading to a process of consultation between the two institutions in an attempt to reach a compromise. However, negotiations could be complicated by splits between the member states. At one extreme, Germany and Luxembourg outlaw cold calling and at the other end sellers in the UK operate under a very liberal regime. In between are countries such as Denmark, where cold calling is banned for some products, and France, where sellers are free to tele-

phone consumers and discuss a sale but cannot exchange a contract over the phone. Fedim, the European-wide direct marketing association, estimates that 1.5m full-time workers are employed in the industry in the EU and many more part-timers.

It warned that inclusion of e-mail in the proposed legislation would damage the development of the information superhighway. It is particularly worried about the effect of the ban on small and medium-sized companies which use telemarketing to break into new markets.

**FT WEATHER GUIDE**

**Europe today**

The British Isles will be sunny. Northern Ireland and Scotland will have showers. The Iberian peninsula will be dry. The south will have plenty of sunshine, while the north will be cloudy with rain along the Costa Verde. France and the Benelux will be cloudy with occasional showers. Sunny conditions will prevail in Germany, the Alps and eastern Europe, where temperatures will reach freezing. Patchy fog is expected in Russia. A depression in the Black Sea region will bring snow to the eastern Carpathians and heavy rain along Turkey's north coast.

**Five-day forecast**

Russia, the Ukraine and the Balkans will continue dry and calm over the next couple of days. The Mediterranean will become unsettled with occasional rain and thunder. It will be dry and sunny on the Iberian peninsula until Saturday, when an Atlantic low pressure system will move into the Bay of Biscay. The low will result in occasional rain and strong winds in the British Isles, the Benelux and south-west Scandinavia.

**TODAY'S TEMPERATURES**

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	31	24	Amman	21	14	Beijing	14	7
Algiers	22	15	Bangkok	31	24	Bombay	31	24
Amman	21	14	Bombay	31	24	Buenos Aires	21	14
Bangkok	31	24	Buenos Aires	21	14	Beijing	14	7
Bombay	31	24	Beijing	14	7	Bombay	31	24
Buenos Aires	21	14	Bombay	31	24	Buenos Aires	21	14
Beijing	14	7	Buenos Aires	21	14	Beijing	14	7
Bombay	31	24	Beijing	14	7	Bombay	31	24
Buenos Aires	21	14	Bombay	31	24	Buenos Aires	21	14

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*This announcement appears as a matter of record only*

**GUCCI**

28,175,000 Common Shares

Gucci Group N.V.

Initial Public Offering

Price \$22 per New York Share and NLG 34.155 per Dutch Share

Morgan Stanley & Co. International CS First Boston

The undersigned, and a group of international investors arranged by the undersigned, were significant shareholders at the date of this offering

**INVESTCORP**

October 1995







## INTERNATIONAL COMPANIES AND FINANCE

## EUROPEAN NEWS DIGEST

## Swedish bank ahead at nine-month stage

Svenska Handelsbanken, one of Sweden's leading commercial banks, reported a 17 per cent increase in profits at nine months to SKr3.7bn (\$633m). The performance showed the group continuing to build on its strong position in the Swedish market, as it benefited from increased market share, higher net interest income and reduced credit losses. It also gained from its expansion into other Nordic countries.

Credit losses fell 18 per cent to SKr1.78bn as the impact of Sweden's loan-loss crisis at the start of the decade further receded. Handelsbanken also managed to increase net interest income by 8 per cent to SKr7.2bn, despite intense competition and narrower margins in the Swedish banking market. The bank's lending activity has risen sharply this year in the face of depressed demand.

The group, which this year acquired the healthy parts of Finland's Skopbank, said its Finnish activities contributed SKr130m to nine-month profit. But the expansion helped to raise group costs 11 per cent to SKr1.58bn. The bank said it was considering a demerger of Nacke, the unit grouping the real estate activities taken over during Sweden's banking crisis.

Christopher Brown-Humes, Stockholm

## Lazard Frères to advise on MGM

Lazard Frères, the Paris-based investment bank, yesterday won the contract as adviser for the restructuring and sale of MGM, the film studio acquired by Credit Lyonnais, the French state-owned banking group, in 1992. The mandate was awarded by Consortium des Réalisations, the company set up by the state as part of the rescue package for the French bank. Lazard, whose parent company is 50 per cent-owned by Pearson, publisher of the Financial Times, is expected to decide on the future of MGM in the first third of next year. It could involve a full sale, a merger, or splitting of the unit into different units.

Andrew Jack, Paris

## Ruhrgas to raise Norway imports

Ruhrgas, Germany's largest gas distributor, will double its share of Norwegian gas imports after the completion of a stretch of gas pipeline across northern Germany. The 292 km pipeline is the culmination of a DM43bn (\$2.12bn) investment by Netra, a consortium of gas producers headed by Ruhrgas and including BEB Erdgas and Erdöl of Hannover, and Norway's Statoil. The investment, which involves building a 1,000-km pipeline, will link the southern, eastern and western parts of Germany to Norway.

Ruhrgas said the completion of the gas pipeline would enable it to increase its annual imports of Norwegian gas from the current 11bn cubic metres to 30bn cubic metres by 2005. At the same time, the Norwegian gas industry's share of Germany's total gas imports would rise from 15 per cent to 30 per cent over the same period.

Judy Dempsey, Berlin

## Police raid Turin companies

Italian police yesterday took documents from three Turin-based companies - including IFI, the main holding company of the Agnelli family - as part of Milan magistrates' investigation of financial irregularities at Gemina, the Italian investment company, and its subsidiaries. Losses at Gemina are expected to reach L468bn (\$233m) this year, partly because of bad debts in RCS Libri e Grandi Opere, the publishing subsidiary which sells lavishly priced publications in instalments. The core of the company was the Fabbrini publishing operation, bought in 1980 from IFI for L300bn.

IFI had offered to refund any differences between the original purchase price and RCS's subsequent valuation of Fabbrini in the months after the transfer. But RCS made clear it was happy with what it had paid, and absolved the Agnelli company of any responsibility for future financial problems. When Mr Francesco Vercassia, Gemina's new chief executive, announced a clean-up of Gemina and RCS on Monday, he said he believed any losses arose after the acquisition of Fabbrini from IFI. Milan magistrates have put directors and former directors of Gemina and RCS under investigation for alleged falsification of accounts.

Andrew Hill, Milan

## GM considers Saab involvement

Mr Richard Donnelly, president of General Motors Corp's GM Europe division, yesterday said a capital injection into Saab Automobile was a "possibility". Mr Donnelly told AFX News at a Swiss-American Chamber of Commerce function. "The point is that Saab has to return to become profitable in the long term and that a capital injection is one possibility." GM had already made important steps at improving Saab's profitability through cost reductions and sharing a basic automotive platform, he said.

AFX News, Zurich

## France Télécom in debt drive

France Télécom, the state-owned operator, is stepping up efforts to reduce debt in a move to strengthen its competitive position ahead of European privatisation and to prepare for an eventual sale of shares in the company. A board meeting tomorrow is expected to confirm that debts this year will fall by between FF13bn and FF17bn (\$3.49bn), from FF49bn at the end of last year, depending on the level of dividend payments to the state. The decrease, higher than forecast, is a result of lower investment costs, stronger cashflow and the fact that payment for a stake in Sprint of the US has been pushed back to 1996.

The French operator said its planning contract with the government for the period 1995-1999 called for a reduction in debt from FF150bn to FF160bn. The company said its aim was to reduce the ratio of financial charges to sales from about 5.6 per cent at the end of last year to the level of its main competitors - about 2 per cent.

John Ridding, Paris

## Linotype-Hell expects loss

Linotype-Hell, the German printing equipment maker, said it expected a loss this year of between DM40m and DM50m (\$55.4m) before taking account of reserves for job-cuts. The business has failed to recover from a slump since 1986. It also said about 300 jobs would be cut by the middle of next year from the 2,450-strong workforce. However, Linotype said it was striving for as close as possible to break-even next year.

Andrew Fisher, Frankfurt

## Citroën plans new model

Citroën, the French car manufacturer, yesterday announced that it is launching a new model, the Saxo, to reinforce the lower end of its range. The company, a division of the PSA Peugeot Citroën group, said the car would be launched in the French market at the end of February next year and in other European markets in March. The new model, which is part of a broader renewal of product lines at Peugeot Citroën, will be placed just above the AX in the Citroën range.

John Ridding

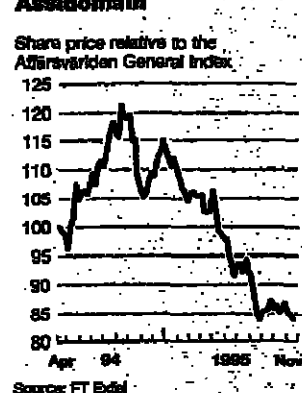
## Stratton takes full control of Sepap board

By Vincent Boland in Stett, Czech Republic and Christopher Brown-Humes in Stockholm

Stratton, the US investment company, yesterday inflicted a heavy defeat on AssiDomän, the Swedish forestry products group, when it secured control of the entire management board of Sepap, the Czech paper producer at the centre of the Czech Republic's first big corporate takeover battle.

Sepap's seven-member management board was replaced at an extraordinary general meeting by five representatives of Harvard, the fund management company run by the Czech entrepreneur Mr Viktor Kozny, acting with Stratton. Attempts by AssiDomän, which owns 33 per cent of Sepap, to block the move and gain board representation were defeated. The Swedish com-

## AssiDomän



Source: FT Data

pany bought into Sepap during the summer to gain a foothold in eastern Europe. It had hoped to gain majority ownership by the end of the year. That strategy was interrupted last month when Stratton said it had acquired control of Sepap in alliance with Har-

## Defeated AssiDomän forecasts downturn in 1996

AssiDomän, the Swedish forestry group, yesterday added to the gloom in the pulp and paper sector by predicting lower use of capacity and a fall in prices next year, writes Christopher Brown-Humes in Stockholm.

The forecast came as the group revealed slightly lower-than-expected nine-month profits of SKr3.41bn (\$519m), up 165 per cent from SKr1.28bn a year ago.

Mr Lennart Ahlgren, chief executive, said the latest attempt to lift softwood pulp prices to \$1,000 a tonne had failed, and the price going into 1996 was likely to be about \$800 a tonne. "We are heading toward a downturn and

capacity utilisation will fall from now on," he said. But he suggested prices would not fall dramatically and said that while prices for pulp and kraftliner would weaken, the market for cartonboard, sack and kraft papers remained strong. Assi's shares fell SKr2 to SKr149.5.

The improved nine-month figures reflected big price increases, higher deliveries and productivity gains. But the strong upward trend in the first half showed signs of easing in the third quarter, reflecting seasonal factors and slightly weaker markets. The group predicted better fourth-quarter figures, putting it on course for a full-year profit of about SKr4.5bn.

group insisted it still intended to expand in eastern Europe. Among those who lost their board seats was Mr Tomáš Sabatka, Sepap's chief executive. Stratton stressed that Mr Sabatka, who has overseen a substantial restructuring of the group, would stay in his post.

The US investor does not yet own a stake in Sepap but has an option to buy a block of shares from Harvard and is the architect of the Czech group's change of direction. AssiDomän executives said after the meeting, held at Sepap's headquarters in the

## German groups join European online service

By Judy Dempsey in Berlin and Michael Lindemann in Bonn

Deutsche Telekom, Germany's state-owned telecommunications network, and Axel Springer, the German media and publishing group, are to buy stakes in AOL/Online/Bertelsmann, which plans to launch a European online information service.

America Online (AOL), the fastest growing online service in the US, and Bertelsmann, Germany's largest publishing

and entertainments group, formed a joint venture last March to launch its online services in Germany later this year.

The move highlights the continuing jostling for position among the main online services and electronic publishers in Europe and the US as interest in commercial online services and the Internet grows.

It follows a decision last month by Mr Jürgen Richter, chairman of Springer, to pull out of Europe Online, a rival Luxembourg-based online ser-

vice founded by Burda, the German publishers.

Deutsche Telekom's decision to join AOL/Bertelsmann by acquiring a substantial stake, is part of its long-term strategy to compete with Microsoft, the US packaged software group, and CompuServe, the US online service pioneer, which are both targeting the European market.

Under the agreement, Deutsche Telekom will gain access to AOL's online services in the US by acquiring a separate stake. This will enable it to

establish an international foothold and access to AOL's 3m subscribers.

Neither Bertelsmann nor Deutsche Telekom would reveal the size of the stakes or how much they would pay for them. However, it is understood the stake in AOL's US operations would be about 5 per cent and in AOL/Bertelsmann about 20 per cent.

"Deutsche Telekom knows it has to act fast now," Bertelsmann said. It added that the cartel office, the country's competition watchdog, had

been informed of the deal and was likely to approve it because of the structure of the stakes held by Springer and Deutsche Telekom.

Springer, publishers of the mass circulation Bild newspaper and Die Welt daily, will take a stake in AOL/Bertelsmann and Deutsche Telekom's own online service, T-Online.

In a complicated cross-holding structure, T-Online will also take a stake in AOL/Bertelsmann.

Microsoft Network, Page 19

## Wella pessimistic after earnings fall 22% for the year

By Wolfgang Münchau in Frankfurt

Wella, the German hair-care and cosmetics group, remains pessimistic about its immediate financial prospects, according to the nine-month earnings report released yesterday.

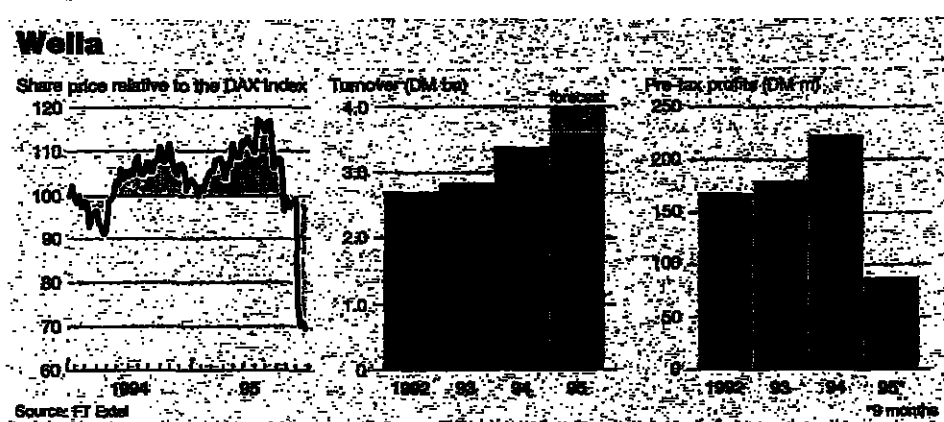
The company said pre-tax profits had fallen 22.1 per cent to DM58m (\$82.3m) in the year to end-September. The downturn in profits was widely expected by the stock market, following a warning last month in which Wella acknowledged management errors and severe difficulties in several foreign markets.

The warning, which was

unusually blunt and highly self-critical, followed the resignation in September of Mr Peter Zehlsdorff as chairman. Wella insisted yesterday that the resignation was not related to the downturn in profits.

The company's shares continued their descent, yesterday, falling by DM3 to DM720, which compares with a level of DM1,150 in mid-September. It is believed that Mr Zehlsdorff resigned after a clash with Wella's family shareholders, who resisted the former chairman's ambitious expansion strategy.

Wella's problems stem largely from its business activities in China, Russia, the UK,



Source: FT Data

and the US. In Germany, turnover in the retail business rose 10 per cent. The hair-care salon market remained weak throughout the year, but Wella said it was able to increase market share.

In the UK, Wella has been facing fierce competition from Unilever and Procter & Gamble, resulting in a downturn in sales, despite higher advertising spending.

The concentration process in the US cosmetics industry has forced Wella to reorganise its distributor network, which led to a fall in revenues. The company's US business generates sales of about \$100m a year.

Group turnover in the nine-month period increased 5.4 per cent to DM2.5bn. Excluding acquisitions, turnover fell 2 per cent. Wella said there were no

signs of a recovery in its markets. "We expect, therefore, an improvement in turnover of only between 5 per cent and 6 per cent for the whole year. Profits before taxes for the year 1995 will probably fall by more than they did during the first three quarters," it said. However, the company remained optimistic it would return to a period of rising profits from next year.

## KNP denies plans to divest further

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper and packaging group, said yesterday it had no plans to carry out further divestments in packaging in order to bolster the division's flagging profitability.

Speculation in Amsterdam about possible divestments has been rife after the resignation of two top packaging executives at the group in the past few days.

On Monday evening, Mr Frans Spits, member of the board of KNP BT Packaging, said he would resign on December 1. News of his departure came soon after the announcement on Friday that his boss, Mr Bert Paalman, had resigned from the group's six-member executive board.

KNP BT would say only that the top-level resignations were caused by differences of opinion about short-term policy on packaging, after the release of disappointing third-quarter figures on November 8.

Operating results in packaging were halved, holding back profit growth for the group as a whole. KNP BT's shares yesterday closed at a 12-month low of FL 40.40, down FL 1.60 from Monday.

Analysts said the fall was linked to the uncertainty as well as Rexam's poor results this week in the UK. They

added that the resignations might be linked partly to the decision, announced in August, to sell the group's six flexible-packaging units in Germany, the US and Egypt.

"People in the packaging division felt very attached to flexible packaging, and it seems to have created bad blood," said one analyst. This theory was also advanced by other paper analysts in Amsterdam.

However, Mr Pieter Barbas, secretary to KNP BT's executive board, said the flexible-packaging divestment "did not play a role in the departure of the two gentlemen". He also emphasised that, although unspecified measures were necessary in packaging, no divestments were being planned.

Earlier this year, KNP BT said it planned to concentrate packaging efforts on graphic board, on-way transport packaging such as solid board and protective packaging.

Analysts noted that KNP BT, in a press conference called after the third-quarter results, had expressed particular disappointment with the results in solid board, typically used in shipping agricultural produce to market.

"Solid board underwent drastic restructuring after KNP BT was formed in 1993, and you can't help but think that another round of retrenchment is on its way," an analyst said.

## DSM to buy 70% stake in OMV unit

By Ronald van de Krol in Amsterdam

DSM, the Dutch chemicals group, said it was close to an agreement with OMV, the Austrian energy and chemicals group, on buying a 70 per cent stake in OMV's subsidiary Chemie Linz, a producer of intermediates for the pharmaceuticals and agrochemicals industries.

Negotiations are expected to be completed before the end of the year, allowing the acquisition to take effect early in 1996 after approval from Austrian regulators. DSM said it hoped

to acquire full of Chemie Linz before the end of the decade.

Chemie Linz, with turnover equivalent to FL330m (\$200m), will mark one of DSM's largest acquisitions in the 1990s. It will also be DSM's first big purchase of a fine chemicals operations since it bought Andena, a specialty chemicals company, from Océan de Grisevin of the Netherlands in 1987. DSM said Chemie Linz was profitable in 1994.

The proposed deal is part of DSM's strategy of pursuing strong growth in fine chemicals to make it less vulnerable to the bulk chemicals cycle.

One of Chemie Linz's attractions for DSM is its involvement in a project with Roche, the Swiss drugs company.

Roche is building a plant at Chemie Linz's site in Linz for the production of a newly-developed anti-obesity agent. The Swiss company will own the plant but it will be operated by Chemie Linz.

The transaction with DSM will enable OMV to focus on the oil and gas sectors in central Europe, a joint statement said.

In late September, OMV said it was close to forming a plastics joint venture with Repsol

of Spain that would create Europe's third-largest petrochemicals company.

The additional turnover provided by Chemie Linz will raise DSM's fine-chemicals turnover to more than FL1bn, or about 11 per cent of the group total. DSM aims to lift this to 20 per cent by the end of the decade, both through acquisitions and organic growth.

In 1994, DSM entered into a 50:50 joint venture with Gist-broekades, the Dutch yeast and penicillin producer, to make intermediate substances for the production of anti-biotics.

## BAT to take stake in Polish plant

By Christopher Bobinski in Warsaw

BAT, the international tobacco group, has agreed to pay \$25m for an eventual 65 per cent share of the state-owned Augustow tobacco plant in north-west Poland in the first disposal in the government's controversial tobacco sector privatisation programme.

The sale comes before this week's parliamentary vote of no confidence in Mr Wiesław Kaczmarek, the privatisation minister, who is under attack from deputies in the Polish Peasant Party (PSL), the junior partner in the governing coalition.

These critics - who were

until recently intent on blocking the sale of the tobacco sector - are now charging that the government has undermined national interests in its mass privatisation programme. This is due to get under way today when distribution begins of coupons entitling Poles to shares in more than 400 state-sector plants.

The plants have been grouped in 15 investment funds which are to be run by mixed foreign and local management companies which Mr Kaczmarek's opponents say have been given too much power.

The no confidence motion helps explain the speed with which the Augustow deal was completed.

BAT, advised by Schroder Polska, has promised to invest \$70m in Augustow. It will take control of 33 per cent of the plant's equity, with an option to buy the other 32 per cent for a nominal fee once the investment programme is completed.

Local suppliers of tobacco to Augustow are to receive 15 per cent and the plant's employees the same.

The government, advised by Deutsche Morgan Grenfell, still has plants in Krakow, Radom, Posen and Lodz. The Augustow sale sets a price marker for later disposals. Radom, which has close links with Faber-Castell, the Spanish tobacco company, is the next factory expected to be purchased.

Augustow, which is close to the Lithuanian and Belarus borders, controls 6 per cent of the domestic market with its own brands. BAT, which makes its Lucky Strike and EB brands at the plant, controls another 7 per cent.

Reemnants of Germany is thought to have bid for the Posen plant, which has a 25 per cent market share, and Philip Morris of the US is interested in purchasing the Krakow plant, which has a 30 per cent share.

Philip Morris has made its Marlboro brand under licence in Krakow since the 1970s. The value of these two offers, however, are thought to be below government expectations.

**Shawmut Corporation**  
U.S. \$50,000,000  
Floating Rate Subordinated Notes  
Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.25% and that the interest payable on the relevant Interest Payment Date February 22, 1996 against Coupon No. 44 in respect of US\$10,000 nominal of the Notes will be US\$159.72.

November 22, 1995, London  
By: Citibank N.A. (Issuer Services), Agent Bank **CITIBANK**

**DIE ERSTE österreichische Spar-Casse-Bank**  
Aktienanleihe  
First Austrian Bank  
US\$ 50,000,000 Retractable Bonds due 2003  
- Securities Identification No. 485 710 -

**Announcement to the Bondholders**

The next interest period begins on December 15, 1995 and ends on December 14, 1996. The relevant interest rate for this interest period will be the 3-month US Treasury Rate, plus 0.22%, rounded downwards to the next 1/8% and will be determined on December 13, 1995 at the latest as stated in the Conditions of Issue.

According to §5(4) of the Conditions of Issue the Bondholders are entitled to call in repayment of the nominal amount of their bonds as of December 15, 1995. Notice to call in the bonds must be received by one of the paying agents listed below by December 5, 1995 at the latest:

Deutsche Bank Aktiengesellschaft, Frankfurt am Main  
Bank of Montreal N.Y. Branch  
DIE ERSTE österreichische Spar-Casse-Bank AG, Vienna  
Banque Générale de Luxembourg S.A., Luxembourg

November 1995

**DIE ERSTE österreichische Spar-Casse-Bank**  
Aktienanleihe

US\$100,000,000  
FLOATING RATE DEPOSITARY RECEIPTS DUE 1997  
Issued by The Law Debenture Trust Corporation under a trust agreement to payment of principal and interest on deposits with

**BNL**  
**Banca Nazionale del Lavoro**  
(Incorporated in the Republic of Italy)  
London Branch

Notice is hereby given that the Rate of Interest for Coupon No. 42 has been fixed at 6.125% pa and that the interest payable on the relevant Interest Payment Date, February 22, 1996 in respect of US\$10,000 nominal of the Receipts will be US\$156.53 and in respect of US\$250,000 nominal of the Receipts will be US\$393.19.

November 22, 1995 London  
By: Citibank N.A. (Issuer Services), Agent Bank **CITIBANK**

**Wells Fargo & Company**  
US\$200,000,000  
Floating rate subordinated capital notes due 1998

The notes will bear interest at 6% per annum for the interest period 22 November 1995 to 22 February 1996. Interest payable on 22 February 1996 will amount to US\$153.33 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**ELECTRICITE DE FRANCE**  
USD 250,000,000  
7 7/8 % Guaranteed Bonds due 2006

Pursuant to the Fiscal Agency Agreement dated 7 May 1986 and in accordance with the Description of the Bonds as set out in the Offering Circular dated 30 April 1986, notice is hereby given that the issuer, Electricite de France, has accepted the offer of the Bonds in the act as a Paying Agent in Belgium in the above issue and that Banque Bruxelles Lambert S.A., Avenue Marine 24, B-1050 Brussels (Belgium) has been appointed as its successor Paying Agent with immediate effect.

This 22 November 1995

**Dell Computer up 82% in**

**Boston Bee**

**New chief app**

**Canadian i**

**Banks and insurers ar**

**Tracinda files**



## RJR counters new move for Nabisco spin-off

<b>Investor UK Limited</b>	<b>Investor Asia Limited</b>	<b>Investor International (U.S.) Inc</b>
Telephone +44-171-409 1211	Telephone +852-2601 6823	Telephone +1-212-957 32 32
Telefax +44-171-409 1305	Telefax +852-3810 4909	Telefax +1-212-957 98 66

Prices for electricity measured in the  
provinces of the electricity meeting and  
in England and Wales.

Revised Rates for  
Monday at 22.10.40

1st year consumption	Post consumption per unit	Post consumption per unit	Post consumption per unit
0000	0.07	0.02	0.02
0001	29.97	0.02	0.02
0002	30.00	0.02	0.02
0003	30.03	0.02	0.02
0004	30.06	0.02	0.02
0005	30.09	0.02	0.02
0006	30.12	0.02	0.02
0007	30.15	0.02	0.02
0008	30.18	0.02	0.02
0009	30.21	0.02	0.02
0010	30.24	0.02	0.02
0011	30.27	0.02	0.02
0012	30.30	0.02	0.02
0013	30.33	0.02	0.02
0014	30.36	0.02	0.02
0015	30.39	0.02	0.02
0016	30.42	0.02	0.02
0017	30.45	0.02	0.02
0018	30.48	0.02	0.02
0019	30.51	0.02	0.02
0020	30.54	0.02	0.02
0021	30.57	0.02	0.02
0022	30.60	0.02	0.02
0023	30.63	0.02	0.02
0024	30.66	0.02	0.02
0025	30.69	0.02	0.02
0026	30.72	0.02	0.02
0027	30.75	0.02	0.02
0028	30.78	0.02	0.02
0029	30.81	0.02	0.02
0030	30.84	0.02	0.02
0031	30.87	0.02	0.02
0032	30.90	0.02	0.02
0033	30.93	0.02	0.02
0034	30.96	0.02	0.02
0035	30.99	0.02	0.02
0036	31.02	0.02	0.02
0037	31.05	0.02	0.02
0038	31.08	0.02	0.02
0039	31.11	0.02	0.02
0040	31.14	0.02	0.02
0041	31.17	0.02	0.02
0042	31.20	0.02	0.02
0043	31.23	0.02	0.02
0044	31.26	0.02	0.02
0045	31.29	0.02	0.02
0046	31.32	0.02	0.02
0047	31.35	0.02	0.02
0048	31.38	0.02	0.02
0049	31.41	0.02	0.02
0050	31.44	0.02	0.02
0051	31.47	0.02	0.02
0052	31.50	0.02	0.02
0053	31.53	0.02	0.02
0054	31.56	0.02	0.02
0055	31.59	0.02	0.02
0056	31.62	0.02	0.02
0057	31.65	0.02	0.02
0058	31.68	0.02	0.02
0059	31.71	0.02	0.02
0060	31.74	0.02	0.02
0061	31.77	0.02	0.02
0062	31.80	0.02	0.02
0063	31.83	0.02	0.02
0064	31.86	0.02	0.02
0065	31.89	0.02	0.02
0066	31.92	0.02	0.02
0067	31.95	0.02	0.02
0068	31.98	0.02	0.02
0069	32.01	0.02	0.02
0070	32.04	0.02	0.02
0071	32.07	0.02	0.02
0072	32.10	0.02	0.02
0073	32.13	0.02	0.02
0074	32.16	0.02	0.02
0075	32.19	0.02	0.02
0076	32.22	0.02	0.02
0077	32.25	0.02	0.02
0078	32.28	0.02	0.02
0079	32.31	0.02	0.02
0080	32.34	0.02	0.02
0081	32.37	0.02	0.02
0082	32.40	0.02	0.02
0083	32.43	0.02	0.02
0084	32.46	0.02	0.02
0085	32.49	0.02	0.02
0086	32.52	0.02	0.02
0087	32.55	0.02	0.02
0088	32.58	0.02	0.02
0089	32.61	0.02	0.02
0090	32.64	0.02	0.02
0091	32.67	0.02	0.02
0092	32.70	0.02	0.02
0093	32.73	0.02	0.02
0094	32.76	0.02	0.02
0095	32.79	0.02	0.02
0096	32.82	0.02	0.02



## INTERNATIONAL COMPANIES AND FINANCE

## ASIA-PACIFIC NEWS DIGEST

## Ssangyong Motor to increase output

Ssangyong Motor, Korea's fourth largest automotive company, plans to quadruple its production capacity to more than 600,000 vehicles by 2000 with its second plant at Taegu, South Korea. The planned \$2.5bn facility will produce 350,000 vehicles, including 200,000 cars. It is also expanding production capacity at its factory at Pyungtaek, south of Seoul, from 150,000 vehicles to 300,000 by 1997.

The company plans to enter the car market in 1998 with luxury models developed with the technical assistance of Germany's Mercedes-Benz, which has a 5 per cent stake in the group. It might also develop a subcompact car. Ssangyong currently makes four-wheel drive vehicles, including the Musso, and buses and trucks. It recently introduced a new range of minibuses, the Istana, with a third of its output to be sold under the Mercedes-Benz badge, mainly in the Asian region.

However, analysts have expressed caution about Ssangyong's entry into Korea's overcrowded car market, which is dominated by Hyundai, Kia and Daewoo. Competition will intensify further with the entry of Samsung in 1998. The capacity expansion has resulted in Ssangyong reporting losses for the past three years, including a deficit of Won79bn (\$102m), on sales of Won803bn in 1994, the sharpest fall among Korean motor companies. Losses for the first half of 1995 amounted to Won49bn, on sales of Won419bn.

Ssangyong is expected to suffer further losses because of forecast capital costs of Won3,900bn between 1995 and 1999, with the Taegu facility accounting for almost 60 per cent of that amount. Mr Kim Suk-joon, chairman, said vehicle operations were being expanded to reduce the dependence of the group, Korea's sixth largest, on its core businesses of oil refining and cement.

John Burton, Seoul

## Indian truck maker surges

Tata Engineering & Locomotive (Telco), India's biggest truck maker, saw net profit jump to Rs2.3bn (\$66m) in the six months to end-September from Rs688.5m a year earlier. Sales climbed from Rs21.43bn to Rs33.87bn, up 58 per cent. Telco holds about 70 per cent of India's light commercial vehicles market, and 56 per cent of the light commercial vehicles segment. Vehicle production in the period rose 44 per cent from 57,313 units to 82,428. Vehicle sales jumped from 53,391 units last year to 81,260.

Telco said last year's growth in demand continued into the current financial year, lifting sales and production figures to record levels in the latest half. It said it expected demand to continue into the second half but added that reduced liquidity in local markets might affect demand in the automotive sector.

Telco has production agreements with Cummins Engine of the US to make engines, and with Germany's Daimler-Benz to make Mercedes cars in India. It made a \$100m issue of global depository receipts in July 1994.

AP-DJ, New Delhi

## Australian airport sale blocked

The Australian Senate, the federal parliament's upper house, has blocked the proposed privatisation of Sydney Kingsford-Smith, the city's main international and domestic airport, and the yet to be built Sydney West airport. This has prompted the government to claim the new airport will not be ready in time for the Sydney Olympics in 2000.

The government had said it wanted the first airport sales completed by late-1996. Several international bidders are thought to be interested, including the UK's BAA, although some have put their plans on hold because of the uncertainty surrounding the sell-off.

The Senate block was the result of an amendment to legislation designed to permit the sale of the 22 airports managed by the Federal Airports Corporation. The amendment specified that the Sydney airports should be excluded until the former east-west runway was reopened at Kingsford-Smith and a noise problem resolved.

The airport recently moved to a system of parallel north-south runways, but the change to flight paths has prompted a public outcry. Mr Laurie Brereton, transport minister, claimed the move would delay construction of Sydney West by up to 12 months. "The delayed legislation will now have to be re-introduced into parliament following next year's [federal] election," he said.

Nikki Tait, Sydney

## APN buys advertising group

Australian Provincial Newspapers, Mr Tony O'Reilly's regional newspaper publishing group, announced yesterday it was buying Independent Communications Australia, an outdoor advertising business, for \$54.7m (US\$40.7m). ICA takes in a mixture of outdoor and transit advertising. Its sales were \$53.9m in the year ending December 1994, with earnings before interest, goodwill amortisation and tax of \$57.14m.

APN said the deal fitted its strategy of developing and acquiring media assets "with strong positions in growing niche markets".

Nikki Tait

## IDBI ahead 30% and plans share depository

By Mark Nicholson in New Delhi

The Industrial Development Bank of India, the country's biggest state financial institution, yesterday reported a 30.1 per cent rise in pre-tax profit, inclusive of capital gains, to Rs6.53bn (\$187m) for the first half to September 30.

Mr S.H. Khan, IDBI's chairman and managing director, said it intended to set up a share depository in conjunction with the National Stock Exchange, the country's biggest institutional investor, and the National Stock Exchange. The latter is the Bombay-based fully automated stock exchange, set up in competition to the Bombay Stock Exchange in 1994.

IDBI is the second leading Indian institution to announce plans for a depository, which would eventually replace the stock markets' physical share trading with a paperless, automated book-entry system. The indirectly state-owned Stock Holding Corporation of India has already advanced its own plans for a depository.

Mr Khan said IDBI's earnings for the first half, excluding capital gains on sales of investments, grew 22.5 per cent over the same period last year to Rs23.57bn, while total expenditure rose 13.9 per cent to Rs17.27bn.

He said, however, that the persistent weakness of Indian equity markets had cut capital gains substantially in the half. Realised capital gains were Rs230m, down 76.5 per cent on the Rs980m for April-September the previous year.

The bank, India's leading state provider of term lending and other financial assistance to industry, said it sanctioned Rs113.9bn in fresh assistance over the first half, an increase of 28.5 per cent over the same period last year, while disbursements rose 20.4 per cent to Rs50.75bn.

The bank said it was confident of exceeding target disbursements for the current fiscal year of Rs100bn, as projected in the offer document for the bank's July share offering, which was both IDBI's first public offer and India's biggest.

The Indian government had also approved a \$300m line of credit to IDBI from the Exim Bank of Japan to finance infrastructure projects.

## ITC boosts profit and market share

By Mark Nicholson

ITC, India's biggest tobacco group, in which BAT Industries of the UK holds a 31.6 per cent stake, has recorded an unaudited 22 per cent rise in first-half net profits from Rs1.16bn to Rs1.41bn (\$40.5m).

It also said it had expanded its share of India's growing cigarette market. In the six months to end-September, turnover rose 7.8 per cent, from Rs23.2bn to Rs25bn.

Cigarette tax, up from Rs10.9bn to Rs13.1bn, and a Rs1.5bn fall in export earnings to Rs2.65bn hurt earnings but the effect was offset by lower costs and interest charges. ITC said exports had suffered from "re-evaluation, restructuring and consolidation" of its international businesses, after it withdrew from trading in "a number of agricultural products with low turnover and margins".

The group said it had completed a restructuring of international and agricultural divisions and that "profits have increased and the bottom line is healthy".

ITC said substantial manufacturing investment, factory modernisation and improved marketing, advertising and distribution had helped give ITC cigarettes 63 per cent of the Indian market, from 60 per cent a year earlier. The market had grown 14 per cent, the company said.

ITC said its hotels business had also registered "strong growth", with turnover at its flagship Maurya Sheraton Hotel in New Delhi set to double from last year's Rs500m.

ITC was until recently dogged by a bitter dispute between BAT and Mr K.L. Chugh, who resigned as ITC's chairman in September. The UK group earlier said it had lost faith in Mr Chugh's chairmanship, although Mr Chugh's resignation was publicly amicable.

The company's nomination committee met this week for the first time to discuss Mr Chugh's succession but failed to reach agreement. The committee is expected to meet

## Break-up plan remains option at Coles Myer

By Nikki Tait in Sydney

Coles Myer, the large Australian retailer which has been the focus of an institutional battle over corporate governance standards, said yesterday it was actively pursuing a break-up proposal.

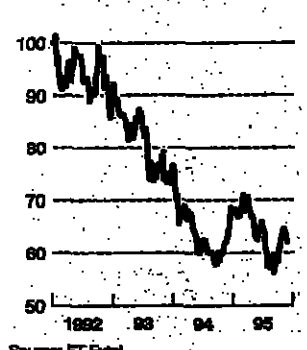
This would see the company divided into several listed companies, each with separate managements and boards.

Mr Nobby Clark, the company's new chairman, told the annual meeting yesterday that a study had been commissioned in recent weeks, and that "a review of the restructuring option remains firmly on the board's agenda".

However, he added that the review would take some time, and the option remained "a proposal" at present.

## Coles Myer

Share price relative to the All Ordinaries Index



Source: FT Index

The break-up plan was first put forward by Mr Solomon Lew, a Coles director and its former chairman, when he was battling with institutional investors over the extent to which the corporate governance issue made boardroom changes necessary.

Some institutions indicated they were not adverse to the break-up plan, but felt it should be pursued under the aegis of a reconstituted board - an objective they succeeded in realising.

At yesterday's five-hour meeting, Mr Clark stressed that "examination of board committee structures and director related-party transactions" was a priority for the new board.

He revealed that Allen Allen and Hemsley, a law firm, had been called in to review all related party transactions, and that Allens, together with accountants Coopers & Lybrand, had also looked at Coles' corporate governance procedures.

However, he gave few details about the Australian Securities Commission inquiry into the "Yamoon" transaction, which cost the company about \$88m (US\$13.4m) and indirectly benefited interests related to Mr Lew by a similar amount.

"The results of that inquiry will almost certainly determine whether or not we are able to pursue any value lost by Coles as party of the transaction," he said.

At the end of the meeting -



Nobby Clark: 'examination of board committee structures' a priority

Picture: Tony Anderson

which proved less eventful than some commentators had predicted. Mr Clark confirmed the slate of directors agreed between the company and institutions last month had been elected by shareholders, and that the two independent candidates had failed to secure board seats.

● In the Melbourne courts, Coles' lawyers yesterday failed to have parts of a wrongful dismissal claim by Mr Phillip Bowman, its former finance director who moved to Coles from the UK's Bass group, struck out.

However, they were given leave to appeal. Mr Bowman claims his employment contract entitles him to a \$2.16m payout from Coles, and maintains he was

dismissed because of his investigation into the Yamoon transaction.

Coles, however, has alleged "wilful misconduct". It was the revelations arising from the legal action between Mr Bowman and Coles which was the catalyst for the institutions' corporate governance push at the retailer.

## Lippo fights to keep its glamorous image

Indonesian banking and property group faces struggle to maintain investor confidence

Property and banking do not always sit together comfortably in southeast Asia's markets, as Lippo Group, one of Indonesia's largest and most prominent conglomerates, is finding out.

Shares in Bank Lippo and Lippoland, two of the group's flagship companies, have fallen about 35 per cent each in the past week, and there has been a run on deposits at a Bank Lippo branch as anxiety grows about the group's property developments outside Jakarta.

Mr Roy Tirtadji, managing director at Lippo Group, says there are no liquidity or solvency problems at any of Lippo's units. But with several executives having left in recent months, the group is facing an uphill struggle in retaining investor confidence.

Analysts say the market fears that Lippo could turn out to be yet another Asian glamour stock which has over-stretched. Worse, they worry that it may have fallen into the classic Indonesian conglomerate trap of using its own bank to fund speculative property ventures.

However, Mr Tirtadji claims residential and commercial space at Lippo Karawaci and Lippo Cikarang, two ambitious satellite town developments outside Jakarta, is selling well.

The towns have been widely touted as showcase developments for Indonesia's new middle class.

These developments were consolidated into Lippoland's balance sheet for the first time when it reported fiscal 1995 unaudited earnings at the end

of October. As a result, Lippoland's net gearing jumped to 140 per cent from 14 per cent a year earlier. That sent alarm bells ringing throughout the financial community.

Mr Tirtadji says Bank Lippo's loans to Lippoland account for about 3 per cent, or roughly Rp100bn (\$7m), of the bank's loan portfolio, a much larger figure than analysts had assumed.

Analysts say Bank Lippo turned some of these loans into securities which were then sold to its customers. In effect, that took a portion of the loans off its balance sheet, but it is unclear who would be responsible if Lippoland failed to repay the debt.

More than 100 of Lippo Bank's customers have bought the securitised loans, analysts say. Lippo Group declined to comment on what by international standards counts as unorthodox behaviour.

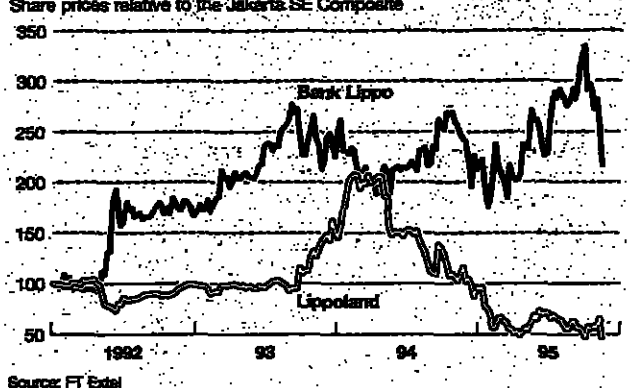
Mr Tirtadji denies allegations that the bank has been lending to contractors building the satellite towns, adding to its exposure to the property development. "They may have their banks but for sure it's not Lippo," he says. He adds that

other Indonesian property developers, is not in the contracting business.

Mr Tirtadji insists sales at Lippoland are proceeding smoothly and that money obtained from pre-selling houses, apartments and commercial space is used to finance a large part of the development at its two satellite towns. Lippoland's net income

## Jakarta jitters

Share prices relative to the Jakarta SE Composite



Source: FT Index

for fiscal 1995 was Rp31.25bn on revenues of Rp21.7bn.

Mr Tirtadji says Lippoland's debt-to-equity ratio of one-to-one is evidence that the company is not over-stretched. "I would say it's very healthy," he says. But to arrive at that ratio, Mr Tirtadji used a very narrow definition of debt.

Using conventional yardsticks, analysts say Lippoland's balance sheet shows debts amounting to Rp981bn, and therefore net debt-to-equity ratio of about 140 per cent.

According to the company's accounts, short-term loans total more than Rp600bn, far more than the company's liquid assets at a time when the outlook for the property market is sluggish. As a result, Lippoland's ability to repay its loans on time without running into serious cash flow problems has been called into question.

"Lippoland has one of the highest net gearing levels and is marketing relatively expensive products in difficult market conditions," Mr Robert Adair, an analyst at GK Goh Omotrac - Securities in Jakarta, wrote in a recent report.

Other analysts note that sales at Lippoland's other residential developments, which include two resorts, have weakened over the past year because of high interest rates.

Matters were compounded by media reports that Bank Lippo had failed to clear its account with the central bank because it was over-stretched with loans to Lippo Group's property division.

Mr Tirtadji says that all the bank did was book a clearing loan, which occurs when cash drawn from a bank exceeds the amount deposited. "It's a normal day-to-day happening," Mr Tirtadji says.

"If you ask me did Bank Lippo fail to clear, no, we never fail to clear because that question means we have a negative balance with the central bank. Our bank has never, I emphasise never, had an overdraft balance with the central bank," he adds.

Equity, he says, continues to be an important source of financing for Lippoland's developments, and the group would like to float shares in Lippo Karawaci as early as the first quarter of next year.

Hong Kong-based China Resources and Hutchinson Whampoa recently bought about US\$26m of Lippo Karawaci's convertible bonds which can be converted into Lippo Karawaci shares eight months after the IPO, giving them a 10 per cent option in the development. But negative sentiment about the property market will make a listing difficult.

In the meantime, confidence in Bank Lippo's operations is also at a low. Asked about allegations that a number of banks are standing by to bail out Bank Lippo, Mr Tirtadji says there is a gentlemen's agreement among the association of private national banks in Indonesia to help each other with liquidity problems.

"[Lippo Group's] policy has always been to ensure that our liquidity is under very good control so that if some rumours like this happen, we can still sleep well," he says. His challenge lies in convincing a suspicious market that this is the case.

Mannela Saragosa

## Strong cellular phone demand helps Kyocera sales climb 8%

By Michio Nakamoto in Tokyo

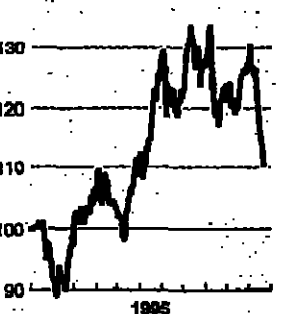
Buoyant demand for cellular phones and electronic components supported an 8 per cent increase in consolidated sales at Kyocera, the leading maker of ceramic packages and electronic parts.

Kyocera, which makes a products ranging from ceramic packages for microprocessors to karaoke equipment and artificial bones, enjoyed a 27 per cent rise in operating profits in the first six months of the fiscal year from ¥21.1bn to ¥26.8bn (\$265m).

Sales climbed from ¥21.1bn to ¥23.9bn. However, pre-tax profits fell 24 per cent to ¥33.1bn from ¥43.5bn last year, when profits were boosted by gains from the listing of DDI, the telecommunications company in which Kyocera owns a 22 per cent stake, and the share offering in two companies in which it is a leading shareholder. Net profits were also down by 19 per cent from ¥23bn to ¥18.6bn.

Kyocera benefited from the surge in world semiconductor demand for its components for semiconductor manufacturing equipment. As a result, sales in the fine ceramics division rose 12 per cent.

Share price relative to the Nikkei 225 Average



Source: FT Index

In addition, the popularity of its karaoke equipment combined to lift sales in the electronics equipment division by 9 per cent.

Kyocera believes the market for communications equipment will continue to provide growth, which will be supported by a recovery in the European and Japanese PC markets.

As a result, the company is forecasting a 14 per cent rise in parent sales to ¥344bn in the full year, a 43 per cent increase in recurring profits to ¥50bn and a 21 per cent rise in net profits to ¥26.8bn.

● Japan's Airport Facilities, which manages and leases airport facilities at Narita Airport, expects to net ¥5.75bn from its offering of 6.3m new shares ahead of a listing on the Tokyo Stock Exchange second section on December 21.

The company plans to use ¥569m for capital expenditure and ¥1.19bn to back pay long-term loans. It will put the remaining ¥4bn in a bank for future capital needs.

The offering will increase the company's total outstanding

## Israeli hotel chain in Shk50m offering

By Mark Dennis in Eilat

Isrotel, the UK-owned Israeli hotel chain, announced yesterday a Shk50m (\$10.5m) international public offering to be tendered by the first week of December.

The flotation reflects a wave of confidence in the Israeli tourist industry, which has been lifted by the Middle East peace process and the development of Eilat as the leading Red Sea resort.

The shares will be listed only on the Tel Aviv Stock Exchange, but the offering is expected to attract substantial foreign interest, according to underwriter Société Générale Equities, which is marketing it to European and US investors.

The 6m shares will be offered at a minimum price of Shk6.30 a share.

In addition, 9m options will be tendered simultaneously at Shk0.72 a share.

Isrotel, which is fully-owned by the Lewis Trust Group, a private company with hotel and retail interests in the UK, Spain and Israel, is starting to realise profits after refurbish-

Hotel, its initial investment, and by ending its flagship Royal Beach resort in Eilat.

Profits for the first nine months of 1995 were Shk4.5m, compared with a loss of Shk2.3m a year earlier.

Total sales increased 46.2 per cent from Shk121.4m to Shk177.5m.

The offering takes advantage of the growth in Eilat, where Isrotel commands a 25 per cent share of the hotel market. Six of the company's seven hotels are concentrated in the centre of the city.

Four more hotels are planned. The city hopes to raise the number of rooms from 5,900 to 9,500 by 2000.

Only a year after the signing of the Israel-Jordan peace treaty, package tours incorporating destinations in southern Jordan and Egypt's Sinai peninsula have increased.

Direct arrivals to Eilat totalled 166,000 for the 1994-95 season and are expected to increase to 190,000 in 1996-97.

The Israeli tourist industry is enjoying a pronounced period of growth, with the government forecasting 4m visitors by 2000, up from 2.17m last year.

This announcement appears as a matter of record only

**BANK OF CEYLON**  
Acting Through Its Foreign Currency Banking Unit  
USD 12,000,000 Floating Rate Notes Due 1998

Arranger and Lead Manager  
London Forfeiting Asia Limited

Co-Lead Manager  
Merrill Lynch Hong Kong Securities Limited

Managers  
The Arab Investment Company S.A.A. (TAIC)  
Bank Austria Aktiengesellschaft, Hong Kong Branch  
Dresdner (South East Asia) Limited  
Korea Merchant Banking Corporation

Advisors to the Issuer  
Mitsubishi Finance International plc  
Global Emerging Markets Ltd

Fiscal & Paying Agent  
London Forfeiting Asia Limited

October 1995

**General Motors Corporation**  
NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Companies Act of 1982, a dividend of 50.20 (pence) per share of the common stock of the corporation payable on the 15th day of November 1995 will be paid to the registered owners of the shares of the corporation as of the record date of 10th October 1995. The dividend will be paid in cash to the registered owners of the shares of the corporation as of the record date of 10th October 1995. The dividend will be paid in cash to the registered owners of the shares of the corporation as of the record date of 10th October 1995. The dividend will be paid in cash to the registered owners of the shares of the corporation as of the record date of 10th October 1995.

**Chaterhouse Group**  
Building Society  
£175,000,000  
Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 15th February, 1996 has been fixed at 6.575% per annum. The interest accruing for each three month period will be £175,000,000 (three hundred and seventy five million pounds) plus or minus the interest on the principal sum of £175,000,000 (three hundred and seventy five million pounds) at the rate of 6.575% per annum. The interest will be payable on 15th February, 1996 against presentation of Coupon No. 15.

Union Bank of Switzerland  
London Branch Agent Bank  
17th November, 1995



Text of a letter by R W Rowland, the second largest Shareholder in Lonrho, being sent to all Lonrho Shareholders

# LONRHO-IMPALA PLATINUM MERGER

## DOES IT ADD UP?

20TH NOVEMBER 1995

Dear Lonrho Shareholder,

The Board of Lonrho proposes a merger of its platinum assets with a competitor, the Impala platinum mines, which are owned by Gencor. Lonrho would receive shares in Implats, a subsidiary of Gencor. The Lonrho platinum mines in South Africa are the company's major asset, and for this reason your vital interests as an investor are concerned. As Lonrho shareholders, you have financed the platinum mines from their inception, and should reap the benefit.

In broad terms, Lonrho's platinum mines are young and healthy, excellently managed and South Africa's lowest cost producers. Impala is bigger, but is in more difficult ground and is less cost efficient. Impala is also an older mine and part of a group which has already mothballed two platinum mines. In the past few years Lonrho has received varied offers from Gencor to take over Lonrho's platinum Division. It's hardly surprising.

The Lonrho Board has now published the terms for an agreed merger. These terms are not good enough, when it is realised that as formulated they result in:

- 1 A price far less than that envisaged by stockbrokers and analysts in the past two years.

- 2 Loss of ultimate control of Lonrho's biggest asset.
- 3 Loss of Lonrho's central attraction for outside investors or bidders.
- 4 Loss of direction at Lonrho, which promised to expand and support its core activities, specifically mining.
- 5 Exclusion worldwide from any further platinum dealing or mining by Lonrho.
- 6 Vulnerability to 'creeping control' by Gencor. In my opinion, further purchases of a major block of Lonrho shares would, combined with this merger, put Gencor in control of Lonrho without a full offer.

In commenting on the terms, I rely on forty years of negotiating experience in the mining industry of Southern Africa as a mine owner, as a director of Rio Tinto companies, and at Lonrho where I remain the second largest shareholder. There can be no objection to the right deal for Lonrho.

It is my firm belief that this is the wrong deal and should be voted down in the interest of Lonrho and its shareholders.

Listed below are the material difficulties which need to be explained by the Board before the EGM on 30th November, if shareholders are to reach an informed decision.

Yours sincerely  
R W Rowland

### WHAT WILL THE REALIZED VALUE OF THE LONRHO PLATINUM DIVISION (LPD) BE FOR LONRHO AND ITS SHAREHOLDERS IN THE PLATINUM MERGER?

#### £402m

On page 3 of their circular the Board of Lonrho assigns a value of about £402 million for the 29,168,425 shares of Implats that Lonrho finally expects to receive for the Lonrho Platinum Division.

#### £46m shareholder loans

Lonrho has shareholder loans of £46 million to LPD. According to the public Implats statement 'Lonrho will cede to Implats its claims on loan accounts against LPD amounting to R262.8 million.' (£46 million).

Is this an amount the shareholders have to deduct from the stated value of £402 million? If yes, this is a large sum to forego and against what is the cession made?

#### £30m giving up a claim

Did the Board in its calculations deduct the value of the R204 million claim by Lonrho against Implats/Impala over the Kame Mine deal? This claim is well founded and was strongly supported by the Board of Lonrho. Did the Board take the advice of an independent mining specialist and legal counsel before giving up a claim of £36 million as a concession to Implats in this merger?

#### Dividends

On page 3 of the circular the Board says: 'Dividends have not been paid by LPD to Lonrho for several years, because of constraints imposed by the working capital and capital expenditure requirements of LPD.'

Did the Board take into account that Lonrho is replacing a cash flow (which can be regarded as a dividend payment) of between £6-10 million annually in interest payments on the shareholder loans to LPD, with an insecure cash flow from dividends?

Is it correct to say that prospective dividends from Implats would be subject to 25% taxation in South Africa, whereas the interest payments are tax free for Lonrho and tax deductible to LPD in South Africa?

Does Lonrho have a guarantee from Implats for about £10 million payment of dividends before taxes, or not?

#### Value capped by Put Option

Did the Board consider that the realized equity value is limited by the Put Option to R74 per share, compared to a stated value of R77.5-R80 per share in the initial merger. Would this lower the sale price for Lonrho's Implats shareholding by between £18-£31 million?

Is it not correct that the claim of the Bafokeng tribe, (see below) which would lead to the Put Option being exercised, is serious and therefore the execution of the Put Option is a real possibility?

#### Morgan Grenfell

Does the stated £402 million value to Lonrho reflect the value established by Lonrho's merchant bank Morgan Grenfell, which advised Lonrho in this merger? If yes, why does Morgan Grenfell not support this merger by a full recommendation to Lonrho's shareholders in Lonrho's circular about the merger?

The circular contains a long technical report on the present state of the mines. Despite 'extensive due diligence' enquiries the circular does not contain anything from Morgan Grenfell.

Could Lonrho's shareholders have sight of Morgan Grenfell's advice and recommendation, and be told the value it has established from Lonrho's Platinum Division?

#### Costs

Is it correct to assume that the legal, technical and merchant banking costs are still to be deducted from the stated benefit to Lonrho's shareholders?

### DOES THE BAFOKENG TRIBE'S CLAIM PERMANENTLY LIMIT THE ESTABLISHED VALUE TO R74 PER SHARE?

#### Senior Counsel

Did the Board consider the concern (page 44 of the circular) of the technical consultant over the claim of the Bafokeng tribe, which could lower the value of the Implats group by a significant amount?

If yes, who is the senior counsel in Johannesburg who advised Lonrho '...that the probability is that any such action will fail...?' (page 54 of the circular)

Surely one line cannot accurately represent his entire opinion bearing in mind the likely legal, factual, and constitutional complexity of the claim. Did he qualify his opinion in any way or offer specific advice to the Board?

Will Lonrho shareholders be able to see the written comment of the senior counsel or at least a précis of it, and if not, why not?

#### 7% equity to the tribe

Is the Board of Lonrho aware that Implats offered the Bafokeng tribe the right to subscribe for 7% of the equity of the Impala Group during the years 1990-1994, as stated in the annual reports of Implats from 1990-1994?

Did the Board of Lonrho and merchant bank Morgan Grenfell consider this factor and how would the possible concession of these rights or any other financial claim by the tribe affect the value of Lonrho's equity stake in this merger?

#### Net value

As outlined in an article by South African Business Day, dated 14th November 1995, the claim of the Bafokeng tribe seems to have substance.

Why does the Board of Lonrho enter into a merger of its major asset where the probability of a claim against the merger partner, whether successful or not, is high and imminent?

Would Lonrho then only be able to realize a maximum net value of around £330 million for its Lonrho Platinum Division, whereas Lonrho's chief executive earlier this year helped analysts of the City to establish a value for Lonrho's 72.59% interest in LPD in the range of £450-500 million?

The maximum price of R74 per share as a result of an execution of the option would enable Gencor to take over LPD for a far lower price than they would have to pay as a direct offer.

#### Advice

Has the Board of Lonrho approached the legal advisers of the Bafokeng tribe in order to assess the position of their claims, before entering into this agreement?

Is it correct that the Bafokeng tribe claim, which affects most of the mining rights of Impala, is fully prepared and ready to be issued? Why is the Board not waiting for the outcome before merging the mines?

### WHAT ARE THE BENEFITS AND THE SYNERGIES OF THE MERGER?

#### What the Board says

The following is an extract from page 5 of the circular:

'...believes that the mergers will provide the following benefits to Lonrho shareholders:

- it will allow more rapid and extensive development of LPD's assets. The development of LPD's operations has been constrained for some time by high levels of borrowing; the Enlarged Implats will have low borrowing;

- it will produce a number of operational improvements arising, in particular, from the sharing of mining and processing techniques. In the short term, however, mining synergies are likely to be balanced broadly by the costs of achieving them. In the medium and longer term, the Directors believe that there will be substantive benefits for Implats shareholders, including Lonrho.'

#### Capital Expenditure

Is it correct (page 24) that 'with minimal capital expenditure, the platinum output of LPD can be increased rapidly to a level of some 800,000 oz from the 1995 achieved level of some 550,000 oz', and that the proposed increase in platinum production to 770,000 oz per annum by the year 2001 will be achieved with a planned capital expenditure of additional R163 million over the next years, which means an improvement of 220,000 oz per annum from the 1995 achieved level of some 550,000 oz?

#### Efficiency

Is it equally correct that Implats would achieve an improvement of nearly the same (240,000 oz per annum) with a capital expenditure program of R427 million, only over the next 3 years?

#### 2 1/2 times the costs

Where is the capital expenditure benefit to LPD if Implats, expansion program for the same increase in production costs 2 1/2 times more than that of LPD and the planned capital expenditure program of LPD could be financed by the cash flow at present without the need for further capital?

#### Synergies?

##### Production costs 20% lower at LPD

Based upon the annual reports from Implats, it is obvious that the production cost in R/kg of platinum group metals 'pgm' from the smelter has risen from 19,000 in 1991 to 27,000 in 1995 (page 31), whereas the production cost at LPD has not risen from 1991 to 1995 and is at about 21,589 R/kg of pgm in 1995 (page 16).

LPD's production costs are 20% lower than those of Implats.

##### Operating costs 22% lower

The planned operating cost per oz at LPD for the year 2000 are projected to be 666 R per oz whereas at Implats they are projected to be 811 R per oz, which is a cost difference of 22% in favour of LPD. Since 1978 LPD has steadily increased output in each and every year, whereas Implats records volatile production levels with 1995 lower than most recent years. (page 31).

On page 12 of the circular the technical consultant says: 'Upon completion of the merger a team will be constituted to review the synergistic opportunities available to the merged quantity and to make proposals to the board regarding the means by which they can be realised.'

Can it be that the Board of Lonrho has not assessed the potential synergies of merging 'the lowest cost primary underground producer' LPD with the high cost producer Implats before proposing the merger to Lonrho shareholders?

#### Reserves

The technical report states on page 23:

'Lonrho Platinum Division has substantial shallow reserves.'

In fixing the price for LPD, did the Board of Lonrho and the merchant bank Morgan Grenfell reflect the significant added value of these reserves, which can be extracted at the lowest cost in the industry?

If yes, what is the value given to these reserves by Morgan Grenfell, the company's merchant bank?

#### 1995 accounts

Why does the Board not make the 1995 figures of LPD available to Lonrho shareholders in order to enable them to compare LPD's figures with those of Implats for 1995?

#### Other offers

Did the Board consider a potential bid from the major platinum producer Anglo/Rustenburg and did Lonrho's merchant bank Morgan Grenfell approach them in order to establish the highest possible value for Lonrho's 72.59% stake in the Lonrho Platinum Division? If not, why not? The technical consultant notes that LPD's expansion programmes are highly capital efficient. Lonrho is certainly not under financial pressure.

Until eight months ago all Lonrho directors with relevant experience and the entire South African management were opposed to a Gencor merger.

What rationale is there for giving up Lonrho's best stand-alone asset for a price which, after all the deductions and risks are considered, appears to be no more than £300-£330 million?

### SUFFICIENT INFORMATION

#### Fairness

Why has the Board of Lonrho refused to give enquiring shareholders copies of the relevant published documents, thus depriving them of the opportunity to properly evaluate the effect of the transaction on the Company?

How can shareholders evaluate the transaction if the only way that they can inspect the 2,000 or so A4 sheets of published documents is by poring over them in the company solicitors' offices during the 8 working days that remain before the EGM?

#### Clear view

What inconsistencies or drawbacks would be clear from these documents if shareholders' professional advisers had a proper opportunity to review them?

A proper and open evaluation before the EGM will help us all to get this vital deal right.

Response: If you share the concerns expressed in this advertisement contact Lonrho's company secretary and attend the EGM on 30th November.

ASK YOUR ADVISERS TO EVALUATE THE DEAL CAREFULLY AND ACT ON THEIR ADVICE





## II THE CZECH REPUBLIC

Politics by Kevin Done

## Two opposing forces begin to consolidate

The Civic Democratic party (ODS) led by Prime Minister Vaclav Klaus is the strongest force to emerge from Civic Forum

Six years after the turmoil of the Velvet Revolution, the Czech political system is taking on a more conventional shape as it begins to consolidate around two main opposing forces, the right-wing Civic Democratic party and the Social Democrats.

Several of the smaller parties also spawned by the break-up in 1989 of Civic Forum, the movement that filled the immediate political vacuum following the collapse of communism, are unlikely to survive next June's general election.

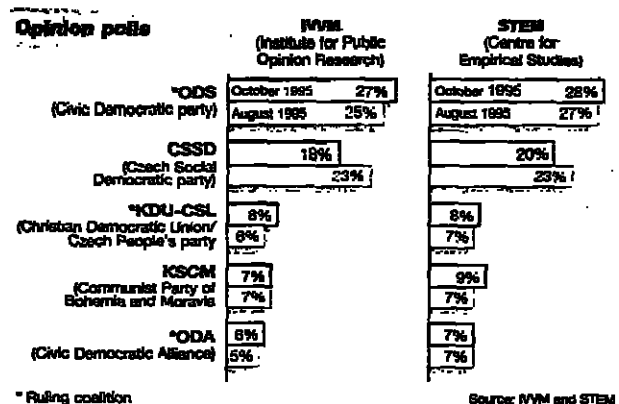
A consistent series of opinion polls suggests that only five parties will achieve the minimum 5 per cent of the votes necessary for representation in the main lower house of parliament.

The Civic Democratic party (ODS) led by Mr Vaclav Klaus, prime minister, is the strongest force to emerge from Civic Forum and has dominated Czech politics for nearly four years, helped by a highly fragmented opposition.

Next June's general election approaches, the ODS faces the prospect of having to confront a much more cohesive opposition in future, because the Social Democrats led by Mr Milos Zeman appear set to make the biggest gains from the demise of the smaller opposition parties.

From a position where they gained only 6.5 per cent of the votes and 8 per cent of the seats in the 1992 election, the Social Democrats have emerged as the second-largest party in a string of opinion polls regularly gaining about 20 per cent support. Their backing peaked at 23 per cent in August this year, but it was still running at 18-20 per cent in polls published last month.

Even Mr Klaus, who remains supremely confident of victory in next year's election, concedes that the Social Demo-



crats are gaining ground, although he insists that it is not at the expense of the government.

"The Social Democrats are getting votes from the small parties on the left. They will probably have more than in the last election. But in principle the balance between the parties of the left and the right will be similar," he says.

At the last election, the left still suffered from a general lack of trust from the electorate, but Mr Zeman insists that the Social Democrats are now gaining ground.

"Three years ago we were still the party of the old and the less educated, but the structure of our support has changed dramatically. In polls

Few political observers believe that the ODS can be unseated next year

in June we had 2 per cent more support than the ODS from young, educated voters."

Few political observers believe that the ODS can be unseated next year, but the Social Democrats will have achieved much if they can become the second-largest party and can develop as an opposition force able to offer itself as a credible alternative government later in the 1990s.

The left wing will in any case remain split, because Mr Zeman rules out any suggestion that the Social Democrats could enter a coalition with the Communist party. "We can exclude coalitions with the Communists on one side and the ODS on the other," he says, "but I cannot exclude coalition with some other members of the present government."

The bigger threat to the ODS-led government appears to come from within the ranks of the coalition itself. The recent congress of the Christian Democrats, led by Mr

Josef Lux, failed to proclaim the ODS as its only imaginable post-election partner. It could well be that the KDU-CSL will eventually emerge as the swing party of Czech politics, much in the manner of the Free Democrats in Germany.

At the same time Mr Klaus' other coalition partner, the Civic Democratic Alliance (ODA) has appeared vulnerable in recent months with its opinion poll support hovering close to the crucial 5 per cent level. Its support has nearly halved since January because it became embroiled in various scandals. Mr Jan Kalvoda, the ODA leader, and Mr Vladimir Dlouhy, the industry and trade minister and the ODA's most popular politician, face a tough challenge to restore confidence and to present a platform that distinguishes the party from the ODS.

Mr Dlouhy insists that the party has come through "the period of crisis," however, and that its support has stabilised.

"We want this coalition to continue. We would not join with the Social Democrats, even if they were to win and Klaus loses. The Christian Democrats would go with them [the Social Democrats], if necessary. We would go into opposition."

While a more simplified political landscape is likely to emerge in the existing lower house of the Czech parliament, the Chamber of Deputies, with the elimination of several small parties in the election, the picture could be complicated by the plan to create a new upper house, the Senate.

In an important constitutional reform, election to the Senate will be based on simple majority, first-past-the-post voting from 81 constituencies, unlike the system of proportional representation used for the existing 200-member lower house.

It is still to be decided whether elections for both houses will be held on the same day next summer - the alternative preferred by Mr Klaus - or whether the vote for the Senate will be postponed until the autumn.

Interview with Prime Minister Vaclav Klaus by Kevin Done and Vincent Boland

## 'Fastest privatisation process'

Czech Prime Minister Vaclav Klaus emerged into the international spotlight after Czechoslovakia's Velvet Revolution in November 1989. First as federal finance minister and later as prime minister of the Czech Republic, he has dominated the process of economic reform.

Intellectually combative with friends and adversaries alike, he has consistently preached the virtues of the market economy and has implemented what he claims to be "the fastest and most comprehensive privatisation process."

Fond of his status as an economist, he has recently been appointed by President Vaclav Havel - on the recommendation of the education minister - as professor of finance at Prague School of Economics.

He leads one of the most stable, centre-right governments of all the transition states of central and eastern Europe, and appears supremely confident that his Civic Democratic Party-led coalition government will be returned to power in next summer's general election.

Question: What are the big ideas that you will put forward in next year's election campaign?

Answer: Even if we are in what we usually call the post-transformation stage, the main idea for the coming election campaign is the slogan of continuity; continuity of policies that started three years ago. It is not a time to start with new programmes or new breakthroughs.

Economic growth in the Czech Republic has lagged behind some other countries in central and eastern Europe, such as Poland. Why did it take the Czech Republic longer to come out of recession?

First, I have tried a hundred times to explain to observers from foreign countries, from the western world, that the term recession is a nonsense - it should not be used, it does not explain anything.

In this country, as in all other countries of eastern Europe, we were dealing with what I prefer to call transformation shake-out, a shake-out of non-viable economic activities, which could exist only in protected Comecon markets, with distorted price structures and with huge subsidies.

The faster those activities were squeezed out and eliminated the better. The deeper the shake-out the better. The social, political and economic transformation - the systemic change - was not about GDP growth.

Our GDP decline was just two years, 1991 and 1992. This is relatively a very, very short period of time.

In 1994, GDP grew by 2.6 per cent. In 1995, until now, it is 4 to 4.5 per cent, and the forecast in the government budget for next year is 4.8 per cent, so for me that is sufficient economic growth.

Artificial attempts to accelerate growth would create more pressures, faster inflation. When you put together inflation, unemployment, GDP growth, the results of the Czech Republic are incomparable. You can take the figures yourself; this is not my self-praise or anything like that.

Are there any particular problems that could interrupt this growth?

I do not think so. It seems to me that the only potential bottleneck or problem could be the low unemployment rate. We are afraid that accelerating growth can bring more pressures in the labour market, wage pressures, price pressures and inflation. Disinflation is an important policy of the Czech government.

You are facing paradoxical pressures for both disinflation, from a growing trade deficit, and for revaluation from heavy capital inflows. How can you resolve this problem?

The combination of a deficit in the trade balance with a surplus in the balance of payments is a quite natural phenomenon of the early post-transformation stage. So this is not a paradox, it is a paradigm. It is quite natural that with the visible acceleration of economic growth and especially the growth of industrial output and construction, you will have an acceleration of imports.

And you have a diversion of exports to domestic consumption, not just to personal consumption, I mean to investments and so on. It is quite natural that during the transformation shake-out companies are not able to find sufficient demand at home, and so they export. Now this year is a surprise for them - there is domestic demand - some of our very successful exporters of the last few years simply decided to divert part of their exports to the domestic market.

So the short- and medium-term trade deficit is easily explained, and in my opinion it cannot be avoided. This is my professional view as an economist and not just as prime minister.

At the same time, I think that the credibility of the country is so high that there is a very rapid inflow of foreign capital into the country, which means that the balance of payments is in a visible surplus.

The solution to the equation is relatively simple. In the short to medium term, the trade deficit must be financed using the surplus in the capital account.

What are the implications for exchange rate policy?

There is no reason to devalue, because that would not solve, in the short term, the balance of trade problem, and a small revaluation would not solve, in my opinion, the rapid inflow of foreign capital.

What is the long-term economic growth potential of the Czech Republic, and how long will it take to catch up with western Europe?

Our task is to complete the



Vaclav Klaus: 'We were dealing with transformation shake-out'

systemic change, to become a normal western European country in every respect. But definitely I expect much faster economic growth than in the average EU country for the foreseeable future - nothing more, nothing less.

Our GDP per capita in 1994 (using purchasing power parity) was approaching or was at the level of the countries with the lowest GDP in the EU, such as Portugal and Greece. What are the changes that must happen for the Czech Republic to become in your words "a normal country"?

It seems to me that the transformation is more or less over. In a debate with my group of economic colleagues and advisers I asked them: Please, with all your dramatic liberalism in your heads, give me the remaining systemic changes we have to make or announce as next year's targets, as I prepare my speeches for New Year's Eve. Practically we

have not discovered anything as a Transformation Measure with a capital T and a capital M.

If systemic change is completed, where do you go from here?

We will move to more or less standard debates as in your country. Three-and-a-half years ago, in the last election campaign, the promise was to introduce a totally new tax system after 40 years of communism was the transformation measure. Now we are making amendments to the tax laws and talking about what the rate should be. So we are moving more and more towards standard issues and standard questions.

What is your assessment of the mood of the country, and of the electorate?

I think there is a unique stability in the mood and in electoral preferences. This is one of the advantages of the Czech Republic. The economic stability is well known: the fact that we have succeeded in increasing real wages every year with the exception of 1991, the year when prices were liberalised. Take the unemployment figures and the inflation figures: that is economic stability.

Socially, if you look at the relative stability, there are no strikes, demonstrations or confrontations. That is another constant of the Czech situation.

This government is the longest-lasting government in this country since the break-up of the Austro-Hungarian Empire in 1918 and the birth of the modern Czechoslovak or Czech state. I hope that stability will continue. I don't expect an earthquake in the elections.

The Social Democrats are getting votes from the small parties on the left. They will probably have more than in the last election. But in principle the balance between the parties of the left and the right will be very similar.

How stable is the current coalition?

Coalition is always a problem in every country in the world. Only Britain and the United States have the advantage of not having coalition government. But even in these countries the leading parties are more or less coalitions in themselves. I am not sure whether the troubles in a coalition government are much worse than the problems the prime minis-

ter of Britain has inside his own political party.

I always preach transparency and clear-cut rules. Having rivals in a coalition party is probably better than having them inside your own party.

You appear to have adopted a rather Euro-sceptic attitude towards the European Union. Is that not a rather counter-productive approach to an organisation that you wish to join?

I disagree with the description that I am a Euro-sceptic. I always argue that I am a Euro-realist, or a Euro-optimist as regards the process of European integration.

For me, European integration, definitely, yes. But from that does not follow that all of us living in Europe have the same idea about the form of European integration. I think that the European Union should be a conglomerate of states.

The basic entity of the European Union should be the state and not the individual European citizen. I am against stronger forms of unification, as are sometimes suggested. I don't believe that the process of European integration should be based on expectations that European feelings will be stronger than the sense of national identity of most Europeans. This is one strong argument.

The second argument is connected with our sensitivity with our past. We probably feel more strongly against headquarters located several thousand kilometres away, governing us and controlling us. Our experiences with Comecon and other entities of the past make us feel more strongly. So we definitely want to have less delegation of authority to supranational entities. All other points are of secondary importance.

How long do you think it will take to gain EU membership?

My project, first, is to submit our application letter in January during my official visit to Italy during Italy's presidency of the EU. My task is not to fight for early membership; my task is to fight for an early start to the negotiations.

"How long the negotiations take is not in my hands. I am not able to fight over the moment when the moon comes out this evening. I am able to fight over whether the electricity in this room functions or not."

## PROFILE

Milos Zeman, chairman of the Social Democratic party

## Penchant for witty allusions

Few political pundits expect that next summer's Czech general election will lead to a change of government. A natural exception is Mr Milos Zeman, chairman of the Social Democratic Party (SDS), the largest opposition grouping, which is a good second in opinion polls behind the Civic Democratic Party (ODS) of Mr Vaclav Klaus, the prime minister.

Since it scraped into parliament with 6.5 per cent of the vote and 18 seats in the 1992 election, the SDS has seen its support rise strongly to around 20 per cent today. The big test for Mr Zeman is whether he can capitalise on that support to win more seats and play a part in the formation

of the new government.

The signs are that he will not do so. Mr Zeman ticks off a list of populist themes the party will campaign on, including reforming pensions, education and the crisis-hit health service, tackling corruption and setting up a proper capital markets watchdog. It is also developing an environmental policy.

Much of this ground may yet be covered by the governing parties. Furthermore, the SDS is hampered by its lack of talent at the top. Next to Mr Zeman, only his deputy, Petr Buzkova, one of the few women in the higher ranks of Czech politics, has any public profile. The biggest difference

between the SDS and the ODS may be the contrast between Mr Zeman and Mr Klaus.

Opinion polls show that Mr Zeman is personally more popular than the prime minister. A plain speaker with a penchant for witty allusions, he lacks the latter's vision and air of grandeur. Mr Zeman refused to take part in the vouchers-for-shares privatisation programme, describing it as "a trick"; a repetition of the old communist myth of ownership of the people by the people.

He is also more at home among working people than Mr Klaus. Both represent a large industrial constituency

in northern Moravia, home to giant steel mills, working-class towns, and pollution. Mr Zeman, a tall, shambling, gravel-voiced man who is a heavy smoker, looks more like the people he represents than does the dapper, tennis-playing prime minister.

Mr Zeman claims to be "probably the only [current] party leader" who was on the streets on November 17, 1989, the day the communists fled. Since then he has effectively been on the margins of Czech politics, given the dominance of Mr Klaus. If he emerges as an effective opposition leader after the election, he may yet fulfil a crucial role.

Vincent Boland

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# THE CZECH REPUBLIC

## Next year's election dominates agenda

The poll is crucial for Prime Minister Vaclav Klaus who wants to maintain the steady progress of economic reform, report Vincent Boland and Kevin Done

The Czech Republic is slipping inexorably into election mode. Although a general election is not scheduled until June next year, it is increasingly dominating the political agenda, forcing a bout of mergers and acquisitions among political parties and lending an air of urgency to problems that have until now been set aside in the drive for economic reforms.

The stability that has characterised the country's political and economic transformation should not be unduly disturbed by the vote. Despite a strong showing by the opposition Social Democratic party in opinion polls, the conservative government of Mr Vaclav Klaus, prime minister, is

expected to be returned unless one of the minor coalition parties fails to get into parliament. While this could happen, all the parties are acting as if it will not. Instead, they are manoeuvring for position in the crowded centre of the political spectrum, leaving the extremes to the unreformed Communist party on the left and the Republican party, which still hankers after Czechoslovakia, on the right.

The election is nevertheless crucial for Mr Klaus, who wants to maintain the steady progress of economic reform and see it through to the end, and for the opposition, which must emerge stronger if it is to bolster the country's democratic development.

The prime minister points out that his government, in office since June 1992, is the longest-serving since the break-up of the Austro-Hungarian empire in 1918 and the birth of the modern Czechoslovakia and later the Czech Republic. "I hope that stability will continue. I don't expect an earthquake in the elections," he says.

Stability has been a boon to the economy, which has been

transformed from one that was almost entirely centrally planned under communism into a dynamic market economy with an extensive and increasingly robust private sector. For many observers, one of the country's virtues has been that it did not change its government half way through the reform process, as other emerging democracies in the region have done.

Now that responsibility for economic reform has been passed from the state to the private sector, the government is coming under increased pressure to tackle some of the social and political effects of the changes. It is these - rather than any opposition to economic reforms, which remain widely popular - that will set the tone of the election campaign.

With economic and financial matters dominating the agenda since 1992, voter-sensitive issues such as education, health and welfare have been overlooked. Although spending on the health service, for example, has more than doubled from about K640bn in 1991 to nearly K690bn this year, the system is in a mess.



Prague: The stability that has characterised the country's political and economic transformation should not be unduly disturbed by the vote. *Prague Wire*

Doctors have been enraged by the deterioration of the service and complain bitterly about how their pay and social status - always an important factor for Czech people - have collapsed since 1989. Some of them went on strike for a day on November 1 and have taken to sending administrative work to the health ministry, creating a massive postbag for Mr Jan Strasky, the newly-installed minister who has little choice but to send it back.

The government has been slow to react to this mounting crisis, which could cost billions of koruna to sort out, because it wants to see the state's share of health costs reduced. Ministers have tended to allow themselves to be backed into a corner before being forced to settle with angry groups of workers. In other sectors, among them railway employees who wrung big concessions earlier this year including a clean sweep of the management of Czech Railways.

Many accuse the government

of simply ignoring problems such as these. "Until you start yelling and making demonstrations and striking they never listen to you," says Mr Richard Falbr, head of the Czech council of trade unions.

Mr Falbr estimates that the wages of 30 per cent of Czechs have fallen since 1989; 20 per cent are about the same, and the rest have risen by varying amounts. With economic growth expected to be a robust 4.5 per cent this year, unions are pushing for a rise in the minimum wage from K22,200 a month and for wage settlements for next year of 8 per cent, when gross domestic product growth is targeted at about 5 per cent.

Czechs have long been used to a relatively high standard of living. Former Czechoslovakia was an economic powerhouse between 1919 and 1938 and later "was always first among the socialist states", Mr Falbr says. But inflation has eaten into modest salaries since the end of communism and

although it is likely to fall to about 8 per cent this year it has led to that common complaint among workers in the new economies: eastern salaries and western prices. How political parties react to these issues will become clearer as the campaign gets under way in earnest next year.

The social democrats are pushing a populist line concentrating on pension and welfare reform and cleaning up business and the stock market, which are almost unregulated.

The Civic Democratic Alliance, a small government party, is seeking to emerge from the shadow of the prime minister's Civic Democratic party (ODS), the dominant partner in government, by stressing the need for accelerated industrial restructuring and microeconomic reforms.

Mr Klaus, meanwhile, says the ODS can run on its record. A milestone in the country's advance will be achieved on

November 24 when the Czech Republic is invited to join the Organisation for Economic Co-operation and Development. Earlier this month it became the first post-communist country to achieve an "A-stable" investment grade rating from Standard & Poor's, the US credit rating agency.

The rating and OECD membership are likely to see the country move up the league table of investment locations. Direct foreign investment into the Czech Republic is already high, standing at \$5.3bn at the end of September (since 1990). With a consolidation of industry expected now that mass privatisation is over, more is expected to flood in.

On October 1, the koruna took a big step towards full convertibility when current account transactions were fully liberalised and capital account transactions partly freed. The Czech National Bank is now mulling a change in its exchange rate policy which may involve a widening

of the band against which the koruna trades against a DM/\$ basket.

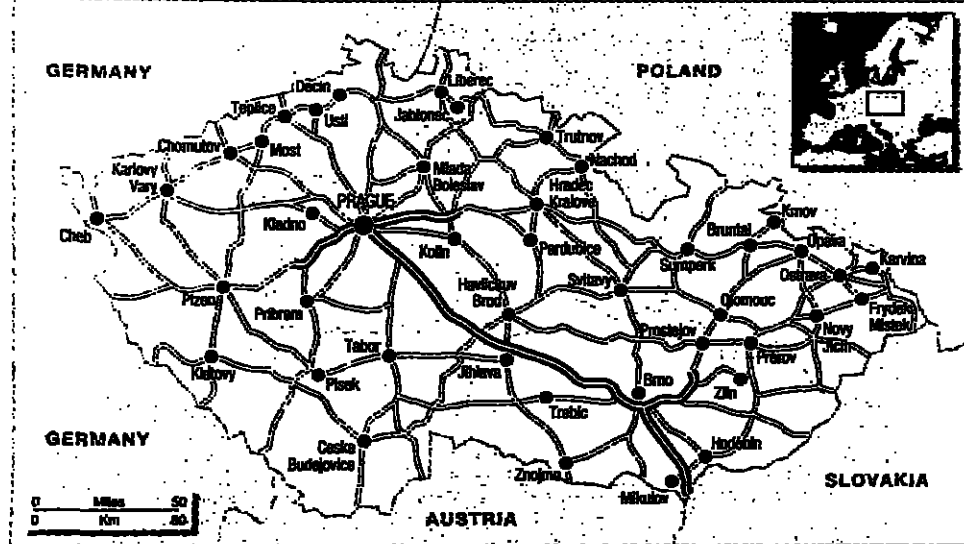
The band is currently 0.5 per cent either side of parity. With pressure both for a revaluation, to curb speculative capital inflows, and for a devaluation, to boost sagging exports, the CNB is reluctant to have its hand forced. Mr Josef Tosovsky, CNB governor, says the bank is conscious of the need for more flexibility but wants to avoid a shock to the system.

"We are thinking about how big this flexibility should be and what problems it would create and solve," Mr Tosovsky says. "If our intention is to eliminate short-term speculative capital, then limited flexibility would be sufficient. If we think about future competitiveness, more flexibility will be needed."

Bankers say a change to the band, widening it to 3 or even 5 per cent either side of parity, could be introduced before the end of the year. The size of the change will depend on whether the issue of short-term capital inflows, which make inflation difficult to fight, or the widening trade deficit, wins the argument. The former is a monetary question, the latter more political.

If action is taken it could be the last significant policy move before the election. Strategic privatisations are likely to take a back seat until after the vote. The state is still a big shareholder in the politically sensitive banking and energy sectors but, despite mixed signals from the government about the timing of further sales, none is likely to be implemented until the election is out of the way.

Czechs might welcome a breathing space, given the pace of change since 1992. Mr Klaus, whose political antennae are finely tuned, is too pragmatic to stir up unnecessary controversy. In January, he is due to present the Czech application for membership of the European Union to the Italian EU presidency. The country is considered to be first in the queue of east European states for EU membership, but the government wants negotiations on entry to start as soon as possible, regardless of the date of joining.



## Milestones in transition

Vincent Boland reviews the most important dates in recent Czech history:

● November 1989: Communist government resigns in disgrace after mass peaceful demonstrations in Wenceslas Square, led by students and dissidents.

● December 1989: Playwright and dissident Vaclav Havel becomes president of Czechoslovakia.

Provisional civilian government appointed, with Vaclav Klaus as federal finance minister. Conservative market-oriented economic policy adopted.

● June 1990: First post-communist general elections. With new states emerging throughout eastern Europe, first stirrings emerge of Slovakia's desire for independence.

Government prepares privatisation programme using a system of coupons which will be sold to citizens for a nominal sum which they can exchange for shares in state companies. It also begins returning private property nationalised by communists in 1948 to original owners or their descendants.

● December 1990: Central bank devalues Czechoslovak koruna and makes it internally convertible. Reform of

banking sector begins after old state bank is broken up into commercial units.

● April, 1991: Privatisation drive gains momentum. Volkswagen of Germany signs agreement to buy 70 per cent of Skoda Automobilova, one of the country's most important companies, for DM1.2bn in the first big-ticket sell-off.

Ambitious investment programme planned at Skoda and although it would later be scaled down the Skoda-Volkswagen deal triggers growing interest among foreign investors.

● May 1992: First wave of coupon privatisation begins. Some 10m Czechs and Slovaks have bought coupon booklets for K(1,000 each and begin to select shares of about 1,000 state companies included in the wave. Companies include main commercial banks and industrial groups.

Investment funds established by banks and others to invest in companies on behalf of the public attract an enthusiastic response after initial hesitation.

● June 1992: General elections held, dominated by the issue of the dissolution of Czechoslovakia. Klaus becomes Czech prime minister, Vladimir Meciar

becomes prime minister of Slovakia. Talks on split begin in earnest. Referendum ruled out. Elections will henceforth be held every four years.

● July 20, 1992: President Vaclav Havel, who opposes break-up of federation, resigns as president.

● December 20, 1992: Czech Republic joins Central European Free Trade Area with Slovakia, Poland and Hungary.

● January 1, 1993: Federal Republic of Czechoslovakia dissolves at midnight on New Year's Eve amid relatively muted celebrations on both sides.

Czech Republic and Slovakia emerge as newly independent states and begin to move their separate ways. Both countries immediately win international recognition.

● January 26, 1993: Havel reappointed president of Czech Republic by parliament.

● February 7, 1993: Monetary union with Slovakia ends. Czech koruna becomes official currency.

Czech-Slovak customs union in place to ensure no interruption to mutual trade.

● June 25, 1993: Prague stock exchange, already trading bonds, begins dealings in shares of

companies from first wave. Share prices gradually begin to rise. Foreign investors, encouraged by political stability and pace of economic reforms, seek opportunities.

● June 30, 1993: Czech Republic joins the Council of Europe.

● January 1994: Second wave of coupon privatisation begins, with more than 860 companies on offer to citizens. Share prices of first-wave companies begin to peak on the stock market, foreign investors take profits, and prices begin a long, slow descent.

● March 1994: Czechs agree to join Nato's Partnership for Peace initiative while continuing to push for full membership of the alliance.

● April 1994: Sensational trial of a secret service agent accused of blackmail by Viktor Kozeny, successful investment fund pioneer, in a case that momentarily threatens privatisation process. Agent convicted; Kozeny abruptly leaves the country complaining of media attacks. He has yet to return.

● February 1, 1995: Czech Republic becomes associate member of the European Union. It is already at the head of the queue of central European states for full membership.

● March 1, 1995: Second-wave shares begin trading on the stock exchange, which becomes the biggest in central Europe based on the number of quoted companies (about 1,800). Prices do not immediately recover.

● June 28, 1995: PTT Telecom Netherlands and Swiss Telecom take 27 per cent stake in SPT Telecom for \$1.45bn; Europe's biggest cross-border telecoms deal at the time.

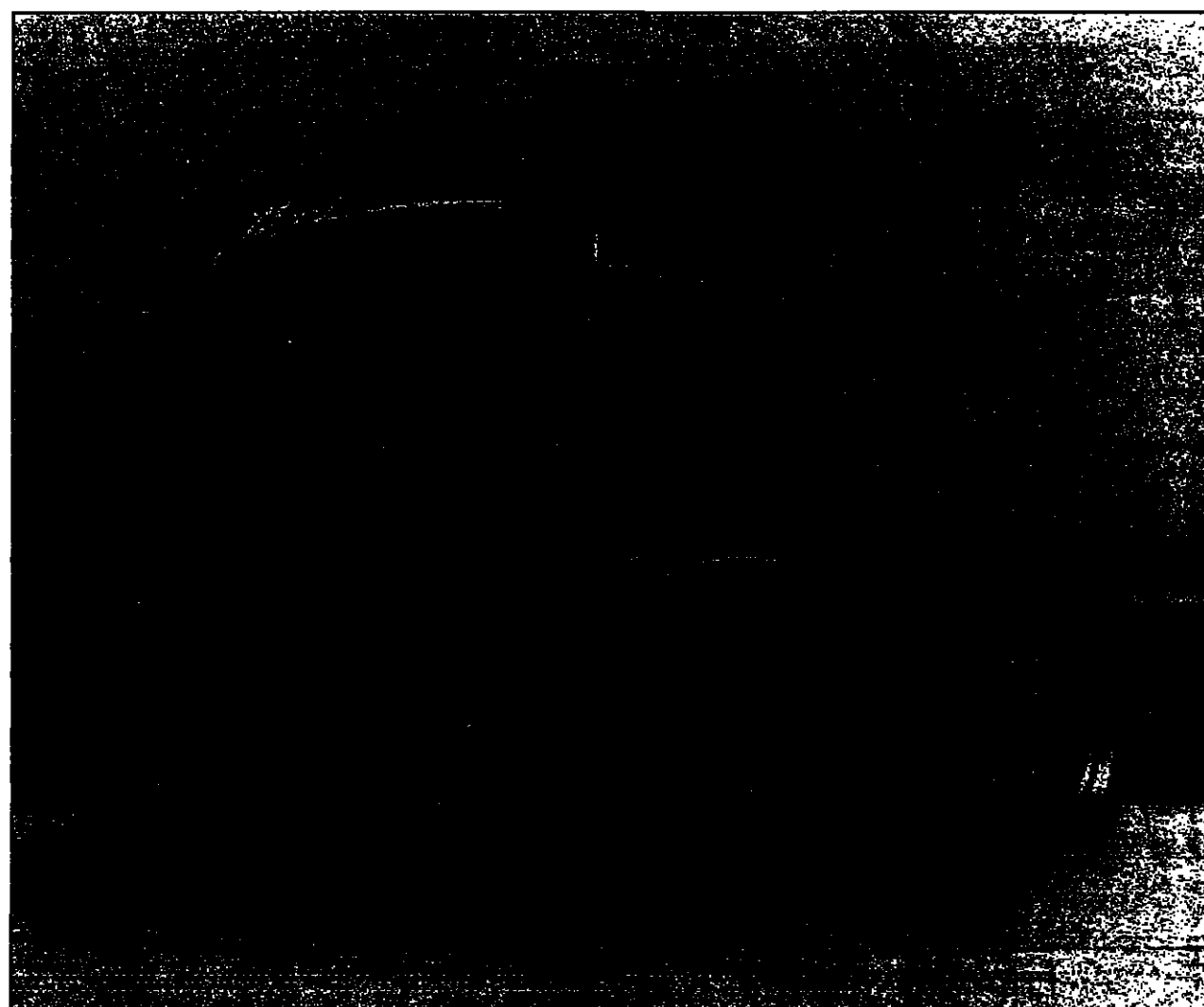
● October 1, 1995: Czech koruna becomes fully convertible for current account transactions and partly convertible for capital account transactions.

● October 20 1995: Final negotiations begin on entry into the Organisation for Economic Co-operation and Development. Membership expected by year-end.

● January, 1996: Government to apply for membership of the European Union.



November 21, 1989: Tens of thousands of demonstrators crowd into Wenceslas Square, Prague. *Prague AP*



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## THE CZECH REPUBLIC III

■ Tourism: by Kevin Done

## Dynamic source of foreign exchange

The crowds of foreign tourists that flock all year round to Prague to admire the medieval and baroque splendours of one of Europe's most beautiful cities have had a powerful impact on the Czech economy.

Tourism was one of the first sectors to flourish in the wake of the Velvet Revolution. It has become a dynamic source of foreign exchange earnings; a welcome counterweight to the country's growing trade deficit, and has provided a crucial source of new jobs to balance declining employment in sectors such as manufacturing industry.

Foreign currency earnings from tourism jumped by 26 per cent to \$1.97bn last year, according to the Czech National Bank, which estimates that earnings rose by a further 23 per cent in the first half of this year to about \$1.15bn. Earnings from tourism have grown almost five-fold since 1990.

The sector accounted for about 5.5 per cent of the Czech Republic's gross domestic product (GDP) last year and earnings were equivalent to more than 14 per cent of the value of Czech exports.

With its central location in Europe, more than 97 per cent of visitors from abroad arrive by car in the Czech Republic, underpinned by the poor state of the roads and the heavy traffic that clogs the main routes through the country.

More than half of these visitors stayed in Prague. According to figures from the Ministry of Economy, of the 101m visitors to the Czech

Republic last year, about 16 per cent were tourists who spent at least one night in the country. Two-fifths were Germans, and another one-fifth were visitors from Austria, Italy and the Netherlands.

"Tourism was one of the first sectors of the economy to be privatised," says Mr Karel Kostrik, a specialist in the Economy Ministry. "It was the first industry to show the fruits of being in the open market economy. A great many jobs were created and mainly in small enterprises, so they can change very quickly and flexibly."

He admits that more investment is needed now, however, both in the road, airport and rail networks, and in the quality of tourist facilities on offer. If the growth of recent years is to be sustained.

Another challenge is to woo tourists away from Prague - where some key attractions such as Charles Bridge and Old Town Square are already under intolerable pressure in peak seasons - to other destinations in the country, including cities such as Telc and Cesky Krumlov whose historical centres are already included in the Unesco (United Nations Educational, Scientific and Cultural Organisation) list of historical monuments.

The Czech Republic is renowned for its spas, in particular the Bohemian town of Karlovy Vary (Karlsbad), whose 12 hot springs are used in the treatment of the digestive system.

■ The economy: by Kevin Done

## Recovery gathers pace

The overall achievement in stabilising the economy has been rewarded by a heavy inflow of foreign capital

The recovery that began in 1994 is gathering pace. The Czech economy is forecast to grow by more than 4 per cent this year and by more than 5 per cent in 1996.

The rate of inflation is one of the lowest among all the transition economies of central and eastern Europe.

The year-on-year rise in consumer prices has fallen below 9 per cent this year and is expected to show a further modest fall next year.

At the same time, the Czech Republic has maintained one of the lowest rates of unemployment in the region with the number of jobless accounting for only 2.6 per cent of the workforce in October, which was down from 3 per cent in September.

There are concerns about the widening trade deficit and the development of productivity in industry, but the overall achievement in stabilising the economy has been rewarded by

a heavy inflow of foreign capital.

The Czech National Bank admits that the combination of the rapid deterioration in the trade deficit, together with the "extraordinarily strong" foreign capital inflows, is producing "contradictory" revaluation and devaluation expectations for the koruna, the Czech currency.

The pressures on the exchange rate are posing a serious policy dilemma with the danger that further appreciation of the koruna will undermine the country's competitiveness in export markets - and exports are regarded as the main engine for growth.

The growing trade deficit, caused by a surge in imports, is forecast to rise to about \$2.0bn this year and has plunged the overall current account of the balance of payments into deficit. On the other hand, there will have been a net inflow of foreign capital of \$8bn this year, including \$1bn of speculative short-term deposits.

Foreign exchange reserves had jumped from \$8bn at the end of last year to \$14.9bn by mid-October.

In the short term, the government is expected to widen the present narrow band in which the koruna is allowed to

fluctuate, but Mr Vaclav Klaus, prime minister, dismisses fears over the development of the trade deficit.

He describes it as "a quite natural phenomenon of the early post-transformation stage" with rising imports accounted for by growing investment, as industrial output and construction expand.

"In the short to medium term the trade deficit must be financed using the surplus in the capital account," he says.

The Czech Republic's international credit rating has been rising steadily. This month, Standard & Poor's, the US credit rating agency, raised its assessment of the Czech National Bank's senior foreign currency debt to "A" from "BBB+" and changed its outlook for the country to stable from positive.

S&P said that its latest upgrade acknowledged "the Czech Republic's relatively painless transition from a planned to a market economy, characterised by socio-political stability, strong public finances, declining inflation, stable currency, and the continued improvement in the government's already strong internal and external financial position."

S&P says that the biggest challenges facing the country

in the medium term involve the modernisation of industry, changes in corporate governance and the strengthening of the banking sector.

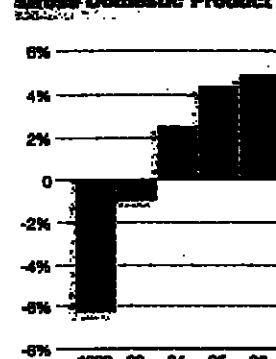
Later this month the Czech Republic's economic progress will be reflected too by the landmark official invitation to join the Organisation for Economic Co-operation and Development. It will be the first post-Communist East European country to join the organisation of rich nations, and will become the 26th member of the OECD.

The Czech Republic and Hungary are also the two countries judged by the European Bank for Reconstruction and Development to have made most progress in the process of transition to an open market economy.

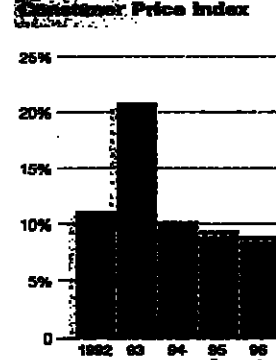
In terms of small-scale privatisation and its trade and foreign exchange system, the Czech Republic has reached the "standards" and performance typical of advanced industrial economies," says the EBRD in its recently-published *Transition Report 1995*.

The bank estimates that the private sector share of gross domestic product (GDP) in the Czech Republic at around 70 per cent is now the highest in central and eastern Europe,

Source: Domestic Product



Source: Komerční Banka



and it says that Prague has gone as far as any of the countries in the region both in large-scale privatisation and in the implementation of effective legal rules on investment.

The process of transition is less well developed in areas such as enterprise

restructuring, price liberalisation, competition policy and the reform of financial institutions.

The magnitude of the task of catching up with west European economies remains great and will be a "long haul", although Mr Klaus is confident that growth rates in the Czech Republic will now be consistently higher than the average for the European Union despite potential serious bottlenecks, such as the already very low rate of unemployment.

The Czech Republic was the only country in the region of central and eastern Europe that belonged to the world's most advanced economies before the second world war, and it is still only at the beginning of the road back to rejoining this group.

"While creating the potential for a well functioning market economy and maintaining stability and popular support, the Czech policy makers have so far been unable to foster rapid output, productivity and income growth," says Mr Jan Svejnar of the Department of Economics at Pittsburgh University and editor of a recently-published study: *The Czech Republic and Economic Transition in Eastern Europe*.

"The aspiration of moving the Czech economy towards the ranks of advanced economies has thus not yet been fulfilled and remains to be tackled in the next phase of transition."

■ Foreign policy: by Vincent Boland

## Focus on EU membership

Prime minister Vaclav Klaus has spoken of starting a velvet revolution in Brussels when his country joins

Almost every act of the Czech government since the collapse of communism has had one overriding goal: to see the country return to the European mainstream. This desire is a legacy of Czechoslovakia's short but much-recalled period as a stable and prosperous democracy between the two world wars.

Now that it is again a stable and potentially prosperous democracy there is growing impatience with the glacial pace of the west's drive to fully incorporate emerging European states into western institutions. President Vaclav Havel has warned that NATO is running out of time and paying too much heed to Russian objections to such a move.

The government is more sanguine, especially about the European Union. It asserts that the Czech side has done all it can to earn the credentials for membership. The rest is up to Brussels.

"My task is not to fight for early [EU] membership," says Mr Vaclav Klaus, the prime minister, but "to fight for an early start to the negotiations on membership." That fight will begin in January when Mr Klaus is due to hand the country's application to join to the Italian presidency of the EU.

It is difficult to assess what Czechs want or expect from membership of the EU aside from its symbolic confirmation of the country's "return to Europe". Ministers insist they do not want to simply siphon cash from Brussels to spend at home. They want to see the Czech Republic "contribute" to the EU.

Mr Klaus has spoken of starting "a velvet revolution in Brussels" when the country joins. He has aligned himself with British opposition to federalism and for decision-making to remain in national capitals, and has attacked the EU for its "socialist" tendencies.

Much of this may be posturing but its reasoning is based on the Czech Republic's historical experience of taking orders from elsewhere. Having sacrificed so much to win back sovereignty, Czechs are unwilling to cede too much of it to Brussels.

Nevertheless, a real debate on what EU membership will entail has not yet started. A senior British Foreign Office official observed on a visit to Prague in October that he had not been able to ascertain whether the Czech motivation to join the EU was based on political or economic - or any - criteria.

For the Czechs, it may not be as simple as that. NATO membership is rather

more clear-cut. The security vacuum that emerged after the fall of the Berlin Wall has been at the forefront of political concerns and remains so today despite Czech participation in the Partnership for Peace.

The collapse of the Habsburg empire after 1918 created a vacuum that could not be filled by the small states that emerged from it. That process was repeated after the second world war. The first crisis was exploited by Hitler, the second by Stalin. In both cases, Czechoslovakia was a prominent victim.

Now there is a third vacuum, for which many in the region believe the only solution is the eastward expansion of Nato. "The most stable solution for central Europe is the enlargement of western institutions," says Mr Jiri Payne, chairman of parliament's foreign affairs committee. Although he adds that the priority is security, Nato membership is seen as essential to it.

The government pursues a go-it-alone policy in its approach to the EU and Nato and has rejected suggestions of regional co-operation with Slovakia, Poland and Hungary. It is a semi-detached member of both the Visegrad Four grouping and the Central European Free Trade Area, which includes these countries.

Since the split with Slovakia, the two have moved apart rapidly and there is little sign of a lingering special relationship. Although Mr Klaus and the Slovak prime minister, Vladimir Meciar, worked closely on the dissolution of the federation they now find it hard to meet. Lost faxes and unreturned phone calls were blamed for the collapse of a recent summit.

Two other issues are controversial. One is the Czech relationship with Germany. German investment in the country is high but Czechs are wary of becoming a source of cheap labour for German companies, even as the realisation grows that they will inevitably become part of the German-dominated economic zone.

On the German side, there is the question of Sudeten Germans expelled from Czechoslovakia after the second world war. Some Germans want compensation but most Czechs will not hear of it. There were no Sudeten Germans "who destroyed Czechoslovakia" by collaborating with Hitler. The issue remains an irritant in bilateral relations.

The second issue is the relationship with Russia, which has effectively been cast aside in the Czech drive to the west. Czech-Russian relations were once characterised by *drachba*, a sort of ideological friendship. Dr Payne says Moscow still thinks in that context "and I'm convinced we don't like this policy."

Working out a new one

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## IV THE CZECH REPUBLIC

Bankings by Vincent Boland

## Tough new era looms

Attempts to create a mid-sized tier of institutions to replace the many undercapitalised small banks have failed

The Czech banking sector is bracing itself for some tough times. The country's expected entry into the Organisation for Economic Co-operation and Development soon is likely to necessitate a gradual liberalisation of the sector, intensifying competition in an already overcrowded market.

The first indication of changes came in October, with confirmation that a big merger of two large institutions, the savings bank Ceska Sportelna (CS) and the trade bank Ceskoslovenska Obchodni Banka (CSOB), was being considered.

Both banks have played down the possible merger, saying only that talks were "very preliminary." Nevertheless, they have acknowledged that a series of link-ups to create bigger and stronger institutions is needed if the sector is to be able to compete with foreign banks and hold its own when the country joins the European Union.

Mr Josef Tosovsky, governor of the Czech National Bank which oversees the industry, says the central bank has no objection in principle to big mergers, but he warns that "mergers will not be possible without a full liberalisation of the market."

As it is currently structured, the Czech banking system poses a dilemma for the CNB. The market is dominated by four institutions - Komerční

Banka, IPB, CS and CSOB. After a difficult year in 1994, these banks have posted strong interim figures for fiscal 1995 and provide a strong backbone for the rest of the sector.

Attempts to create a mid-sized tier of institutions to replace the many undercapitalised small banks have failed despite encouragement from the central bank for the past two years.

Two institutions that might be called mid-sized do not really fit the bill. Zivnostenska Banka, partly owned by BHP of Germany, is a niche operator. Agrobanka, the fifth-biggest bank, nearly collapsed in 1993 and was put in intensive care by the CNB. Now it has made a move to join the big four as a significant general service bank.

Some of the country's small banks, meanwhile, are deeply troubled. One, Ceska Banka, was ordered by the central bank to close its doors in late October after loans it issued in 1992, its first year of operation, turned sour.

Having shut three banks in 1994, the CNB must have hoped the sight of worried depositors queuing outside a closed-down bank to salvage their savings was a thing of the past.

Mr Tosovsky says problems at some small banks are being monitored but he stresses that "the core of the system is sound."

The large banks are no strangers to competition, although it has been slow to develop. KB, IPB and CSOB were created from the old State Bank in 1990 along vertical lines. This was initially an advantage and allowed them to achieve a solid footing in areas of business in which they were

familiar. Now, even though CS in particular is still very dependent on its core savings market, accelerating competition is leading to a fight for market share, especially of primary deposits and corporate lending to cash-hungry privatised companies.

A new area of business is being opened up with the granting of mortgage licences to selected banks for the first time. Fresh legislation will permit subsidised loans for affordable housing, partly to reverse the fall in construction of new



Josef Tosovsky: no objection in principle to big mergers

houses and apartments over the past five years. Demand is expected to be heavy.

Competition has also been intensified by the arrival of foreign banks in Prague. Austrian, German and US banks arrived in force until late in 1993, when the CNB stopped issuing licences. The central bank is mulling the lifting or easing of the ban on new licences, and the first beneficiary is expected to be Midland of the UK.

The main problem the big domestic banks now face is

light of growing competition is their relatively small size. They are giants in domestic terms but small compared to the foreign banks with whom they must compete. Hence the talk of mergers to create stronger institutions.

If CS and CSOB were to merge - and at this stage it must be considered a big if - it would be largely complementary, analysts say. CS dominates the primary deposits market and has some 2,000 branches. CSOB is strong in corporate and trade finance but has a limited branch network and is a significant player on the money markets.

The weaknesses of both would be addressed by a merger.

But such a merger would be an administrative nightmare. CSOB is owned entirely by Czech and Slovak state institutions, including the central banks of both countries and the Czech finance ministry. The Czech National Property Fund, the state holding company, also owns 45 per cent of CS.

It is not clear how a merger would proceed and whether the state would remain a big shareholder.

It would also be a severe test of management skills. A merger would "be a very complex and political process," observes an investment banker in Prague who doubts that either CS or CSOB has the expertise to manage it successfully.

A CS-CSOB link-up would create the largest Czech bank, with assets of about K550bn, overtaking Komerční Banka, which is the largest, ranked by total capital, and the second largest (behind CS) ranked by total assets.

Capital markets by Vincent Boland

## Fund managers under siege

The big banks have been criticised for the way they responded to the attempt to take control of their funds

Czech fund managers have visibly aged in the past month. Their grey hairs resulted from a burst of activity on the stock market that saw a small bank lay siege to some of the country's senior fund managers, including banks far more powerful than itself.

The stated aim of Pzanska Banka, and its backers Agrobanka and Motinvest, a financial company, was to buy enough shares of the targeted funds to oust the managers and install its own. Motinvest, the brains behind the stock market raids, said it wanted to create a financial group that could compete with the big banks.

Pzanska's move caused consternation at Komerční Banka, Zivnostenska Banka, Creditanstalt and Ceskoslovenska Obchodni Banka, which manage the large investment funds it targeted. KB and CSOB fought a fierce battle to keep the upstart bank at bay and even went so far as to buy back stakes in their funds from Pzanska, which pocketed large profits and seems to have backed off for the moment.

Pzanska-Motinvest's actions, and the reactions they provoked, speak volumes for the Prague stock exchange, which is an insider's market. Both institutions have been vague about the source of their financing and their larger motives, other than that much

of the money came from Agrobanka, the largest privately-owned Czech bank, and that they wanted to create a financial conglomerate (Motinvest now controls Agrobanka).

Neither institution broke any rules in the operation although this may be because, as one weary fund manager put it: "there are no rules in this market to break." Pzanska is, however, being investigated by the Czech National Bank for possible breach of prudential banking practice by investing too much of its assets in the stock market.

Critics of the strategy, of whom there are many, say nevertheless that it may have taught the market a lesson. This is that investment funds need to be actively managed to close the often high discounts to net asset value at which many of them trade. Otherwise they are a legitimate target of more aggressive managers.

Pzanska and Motinvest have had difficulty convincing the market that their strategy was designed to create value for other shareholders. Analysts - many of whom said they did not really understand what was going on because of the secrecy surrounding Motinvest - said the raids on the funds raised a number of issues that cast doubt on claims that it was an aggressive investor seeking to enhance shareholder value.

First, it is not clear what added value Pzanska and Motinvest would bring to fund management. Both are little-known institutions run by inexperienced young executives. Komerční, CSOB and the other banks, whatever their shortcomings, have experience and a wide knowledge of the companies in which their

funds have stakes resulting from mass privatisation.

"Offered a choice between Komerční and Pzanska as my fund manager, I would choose Komerční without hesitation," one analyst said.

Second, the big banks have been criticised for the way they responded to the attempt to take control of their funds. Analysts noted that the parent banks of the fund managers appeared to pay for the initial buying of shares to thwart Pzanska. Czech funds are generally not liquid, but Komerční and CSOB, or their fund management arms, spent hundreds of millions of korunas fighting off Pzanska in the market.

"If Pzanska and Motinvest made money, then somebody had to lose it," said a senior foreign banker in Prague. "The foreign banks in Prague, whether spending so much money was justified simply to retain control of their funds."

Third, the Pzanska-Motinvest move had many of the hallmarks of a "greenmail" operation - where a company is forced by a hostile or unwanted takeover bidder to buy back its shares at above market value. Although they said they wanted to make it big in the fund management business, they sold out to KB and CSOB shortly after acquiring stakes of more than 10 per cent in the funds of those banks. Motinvest made a reported K200m profit when KB bought back the stake in its own fund.

While all of this was going on, fund managers also had to digest the deal in which Mr Viktor Kozny, the privatisation fund pioneer, sold stakes in seven key Czech companies to Stratton, an investment company owned by Mr Michael

Dingman, the US millionaire. Stratton acquired large or controlling stakes in companies in the paper, chemicals, oil, transport and brewing industries in a transaction valued at \$140m.

Mr Kozny's Harvard funds sold the stakes to Stratton over the past few months and have spent much of the \$140m rebuilding the stakes in the market, without alerting other investors. Harvard will vote with Stratton in each of the companies involved in return for 10 per cent of future gains the latter makes.

A catalyst for Stratton's move may be proposed changes to securities legislation. One proposal would require investors to report stakes of more than 10 per cent in companies. Currently no disclosure is required. Another measure would require an investor taking 50 per cent and one share of a company to offer buy-out terms to minority shareholders.

These relatively mild proposals are not guaranteed to get through parliament, according to some fund managers. However, their author, Mr Tomas Jezek, believes they will be approved, probably early next year, and that the interests of small shareholders will be put on a par with those of the large funds and strategic investors.

"These measures are necessary for the credibility and transparency of the capital market," Mr Jezek says. They represent the first significant changes to the regulations on capital markets since economic reforms began. A long-heralded period of consolidation may now be under way on the Prague stock market. Mr Jezek says his proposals should ensure that it is relatively orderly.

PROFILE Nova TV

## A jewel in the crown

The Czech Republic's Nova TV, eastern Europe's first private national commercial television station, has managed to eclipse state-owned operator CTM after only 21 months in operation.

Nova TV, controlled by Mr Ronald Lauder, one of the heirs to the Estee Lauder cosmetics fortune, already claims an average share of 70 per cent of Czech television viewers.

It generated pre-tax profits of \$19.71m in the first six months of 1995 following a pre-tax profit of \$10.38m in 1994, its first year of broadcasting operations.

Nova is the jewel in the crown of Central European Media Enterprises (CME), in which Mr Lauder holds a controlling 51.9 per cent stake. CME was formed in 1991 as a pioneer of private,

commercial television and radio stations in central and eastern Europe. It owns a 66 per cent equity interest in Nova. A further stake of 22 per cent is held by Ceska Sportelna, the Czech savings bank.

Nova, which began broadcasting in February, 1994, has become a model for CME, as it expands its operations.

Mr Vladimir Zelensky, the station's director-general and a former screenwriter and leading activist in the 1989 Velvet Revolution, says that Nova TV is operating much more profitably than was forecast.

After breaking even in less than a year, it will have paid off more than K1bn invested in the operation much sooner than the five years forecast in the original budget, he says. Nova has a 12-year licence

expiring in 2008.

The television advertising market in the Czech Republic has expanded rapidly since the beginning of privatisation activities in the country in 1992 with total expenditures soaring from \$6m in 1991 to \$96m last year.

Nova TV gained net advertising revenues of \$47m in the first six months of 1995, compared with \$53m in the whole of 1994.

CME believes that its early entry into the Czech market has been a key reason for Nova's initial success. It has been able to capitalise on the rapid growth of the advertising market and has also benefited from limited competition with the number of television broadcasting frequencies restricted by government licensing authorities.

There are four main

television stations in the Czech Republic. The two state-owned channels, CT1 and CT2, reach 98 and 71 per cent of the 10.4m population respectively. Of the two private commercial stations, Nova TV reaches 99 per cent of the population and Premiera - a small station serving mainly Prague, which began broadcasting in late 1993, reaches 40 per cent.

Premiera's current owner, Investicni a Postovni Banka, one of the leading Czech banks, is seeking a foreign partner. There are no other significant television stations broadcasting Czech language programmes to the Czech Republic, and CME believes that additional private national broadcast competition "is unlikely in the near future."

Kevin Done

PROFILE Chlumcanske Keramické Zavody (CHKZ)

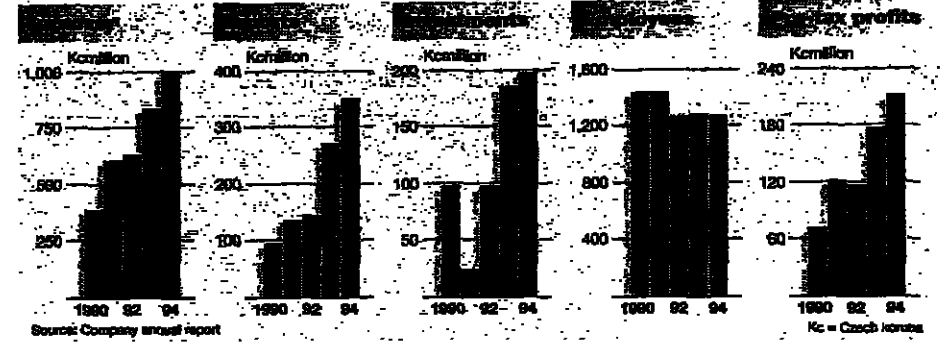
## Well-laid path to profits

The Chlumcanske Keramické Zavody, the Czech Republic's leading maker of floor tiles, has increased its turnover and the value of its exports sales each year from 1991 to 1995, despite the daunting challenges of transition from the old communist system.

Like all of Czech industry it has faced the loss of many of its traditional east European markets following the collapse of the old East bloc Comecon trading system. It has had to deal with currency upheavals, price liberalisation, tax reforms and the introduction of value added tax, privatisation, listing on the stock market and, not least, the splitting of the former Czechoslovakia into two separate states.

Chlumcanske Keramické Zavody (CHKZ) has emerged strongly from these trials, however, and has avoided falling into the hands of a strategic foreign investor. It has invested heavily in new technology in order to raise its quality and product assortment to a level competitive with its leading rivals in Italy and Spain.

With modern products it has found new markets both in west Europe, in particular in Germany, and in eastern Europe, most notably in



Poland. In five years it has managed to raise its turnover by more than 150 per cent from K2394m in 1990 to K61.03m (\$38.3m) last year, helped by a 280 per cent rise in exports to K2352m.

Pre-tax profits have been virtually trebled from K71.6m to K213m (\$8.1m) in the same period. During these five years the workforce has been trimmed by 12 per cent to 1,275, and turnover per employee has almost doubled from K210.574 in 1990 to K689.499 last year.

The momentum is being sustained this year according to Mr Jaroslav Penicka, CHKZ managing director, who forecasts a further rise in profits of around 30 per cent and of 14 per cent in sales. Located in gently rolling hills to the south of the west

Bohemian town of Písek (Písek), it has a big advantage in being able to draw 80 per cent of its raw materials, most importantly china clay, from its own local quarries.

The driving force behind CHKZ's growth has been its readiness to invest heavily in new technology, says Mr Penicka, with expenditure running at about K200m a year in each of the three years from 1993 to 1995. The modernisation programme has been financed largely from cashflow.

In 1990, CHKZ produced about 4m square metres of tiles, of which some 800,000 were exported, chiefly to the Soviet Union. "We realised we could not compete on western markets with these products," says Mr Penicka. "We decided

we had to change completely the product range and modernise the company."

CHKZ has purchased Italian machinery to renew and automate its tile production lines, a process now 90 per cent complete and which will be finished in the first half of next year. In the process, energy consumption has been cut by 60 per cent.

By next year, CHKZ will have built five new tile production lines in a five-year, K1bn investment programme. It has already embarked on further expansion with the development of a majority-owned domestic joint venture with an annual capacity for an additional 2m sq m of tiles.

Kevin Done

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## Fischler to outline reform options

By Caroline Southey  
in Brussels

Mr Franz Fischler, the European Commissioner for agriculture, yesterday confirmed that he would outline a set of options next week for reforming the European Union's common agricultural policy and the agricultural sector of eastern and central European countries as part of the union's enlargement strategy.

Mr Fischler's CAP reform proposals, which face tough opposition from European agricultural lobby groups, are expected to include further cuts in price support for farmers and the outlines of a new policy for rural development.

The proposals, which will form part of the commission's strategy paper on enlargement to be delivered to the EU summit in Madrid next month, will be presented to agricultural ministers as well as the commission next week.

Mr Fischler said a degree of "dynamism" was necessary in the debate on EU agricultural policy and that he was opposed to "freezing the CAP" in its present form. He said the EU needed to "new concept" for the shape of agriculture over the next 10 to 15 years.

But, he added, he was also against "calling into question everything we have achieved" in the EU's agricultural sector. Mr Fischler said the EU would have to face up to fur-

ther changes to the CAP by 2002 when a new world trade round will impose further curbs on subsidised production. It was also necessary to face up to the fact that additional markets could only be exploited if products were exported without refunds.

He pointed out that 60 per cent of the total agricultural budget was paid directly to farmers, a level that the EU will not be able to continue or justify by the turn of the century. "Will it be possible to justify in 2000 compensation payments for price reduction which took place in 1992?" he asked.

Mr Fischler, in his first public comments on the proposals, said it was also important to

adopt a "broader approach" to rural policy. This would be to ensure the future viability of rural areas through the development of rural infrastructure and support for alternative employment opportunities.

"We cannot ignore the fact that there are more non-farmers than farmers in rural areas," he said.

The commissioner said he would also outline options on how eastern and central European countries could be absorbed into the EU. His preferred option was to set down specific interim rules for each aspirant member state.

Another option was to plan for long transition periods for the countries seeking accession.

## Opec aims to put its own house in order

By Robert Corzine in Vienna

Oil ministers from the Organisation of Petroleum Exporting Countries are due to meet again today in the Austrian capital for talks that will focus on ways to improve the lagging production discipline within the group.

The need to reduce cheating by a number of Opec states will figure highly in today's talks say ministers, although some delegations continue to blame non-Opec producers for the uncertainty in international oil markets.

Mr Brian Joseph Arietta, the Venezuelan oil minister and current Opec president, yesterday said Opec's efforts to "stabilise the oil market through self-imposed restrictions on output have been unduly abused" by oil producers outside the organisation.

But other ministers, including Mr Abdullah Salem El-Badri of Libya said Opec first needed to deal with the issue of its own over-production. "We have to fix our own house first" before dealing with non-Opec, he said.

Delegates last night said there might be an attempt today by Iran and others to simplify the way Opec calculates the production of its member states. The proposed change could force a loss of market share for some producers.

Some countries were said to favour a shift to well-head production, a simpler measurement than the present system, which is based on adding together net exports, domestic consumption and sales of oil held in storage overseas.

Most industry analysts last night still expected Opec to extend the present production ceiling of 24.5m barrels a day, although it was not clear whether the ministers would opt for a one-year or six-month extension.

## Lead prices jump to 5-year highs as stocks fall again

By Kenneth Gooding,  
Mining Correspondent

Lead prices on the London Metal Exchange yesterday jumped to their highest level for five years. Analysts suggested it was likely that stocks of the metal - used mainly to make batteries - would continue to fall, that supplies would remain tight and that prices would go on rising.

Battery producers, who account for about 60 per cent of lead demand, were warned that what was in store during London Metals Week last month when Mr Chris Torbille of the LME International consultancy warehouses had fallen by another 4,450 tonnes to 177,375 tonnes - their lowest since 1992 - lead for delivery in three months closed at \$737 a tonne, up \$29.50, having conclusively pushed past \$713, the previous 1995 high.

LME WAREHOUSE STOCKS (in thousands of tonnes)	
Aluminium	+125 to 594,325
Aluminium alloy	+560 to 52,340
Copper	+5,425 to 213,875
Lead	-550 to 177,375
Nickel	-800 to 47,520
Zinc	-8,200 to 591,250
Tin	-30 to 12,670

in the middle or towards the end of next year and the average for 1996 would be between \$700 and \$750. Mr Torbille said yesterday that he had no reason to change that prediction but "prices could well go higher than we were forecasting then".

After the LME reported yesterday that lead stocks in its warehouses had fallen by another 4,450 tonnes to 177,375 tonnes - their lowest since 1992 - lead for delivery in three months closed at \$737 a tonne, up \$29.50, having conclusively pushed past \$713, the previous 1995 high.

Mr Robin Bhar, analyst at Brandeis (Brokers), a Pechiney subsidiary, suggested there was not much to prevent the lead price reaching \$750 a tonne and then it was in virtually uncharted territory until it reached \$800.

Both analysts cited a fall in exports from eastern Europe and former Soviet republics, particularly Kazakhstan, as one reason for the present supply tightness. Demand from battery producers was high after an unusually hot summer - which had taken its toll of automotive batteries - in the northern hemisphere.

Mr Bhar pointed out that much of the lead in LME stocks was from eastern Europe or the CIS and not suitable for use in batteries without being remelted. Also, a great deal of LME stock was tightly controlled by merchants or producers who needed it for future use.

## Meat hormone rules to be re-examined

The European Union will hold a conference next week to examine the use of growth hormones in meat production. European Agriculture Commissioner Mr Franz Fischler said yesterday, reports Reuters from Brussels.

Some 80 scientists and 170 non-scientists, including con-

sumers, environmentalists, producers and traders will meet here from November 29 to December 1 to review and update scientific data on the safety of meat hormones.

"It's not a question of taking or preparing any kind of political decisions," Mr Fischler told a news conference. But it

might be necessary as a result of the conference to consider changing rules.

He noted that new hormones and hormone "cocktails" had been created a legal loophole since EU scientists first drew up the rules in 1981.

Analysts said it could be a first step towards ending of the

EU's 1989 hormone ban, which has been challenged by the US, where the use of natural hormones and two synthetic hormones is allowed.

Washington is waiting for the results of the conference before deciding whether to take the dispute to the World Trade Organisation.

## Bank breaks silence on gold turnover

By Kenneth Gooding,  
Mining Correspondent

After much heart searching and consultation the Bank of England has given a tantalising glimpse behind the traditional veil of secrecy surrounding statistics about the gold market.

Mr Terry Smeeton, head of the bank's foreign exchange division, said yesterday that, when measured by the bank some 18 months ago, turnover through the 14 market makers in London alone amounted to a daily total of 7.5m Troy ounces - equivalent to US\$3bn each day.

Although this might seem a little out of date, history was being made with this revelation - the first time any Lon-

don gold market official turnover figure had ever been given.

Mr Smeeton pointed out that gold is necessarily a secretive market.

"The confidentiality of transactions is important in all markets but none more so than gold." Nevertheless, "after a great deal of reflection and discussion with others in the market, I have concluded that this need for confidentiality does not extend to aggregated statistics which can be used to illustrate the size and depth of the London Market".

He used the figures to justify his assertion that London was probably the biggest gold market in the world. He stressed that the \$3bn referred only to spot and forward business

undertaken by the 14 market makers and did not include the non-market-making members of the London Bullion Market Association or the very significant amount of over-the-counter business conducted outside of London but settled on London market on a loco basis.

Even so, the London market makers' turnover alone was 50 per cent above the New York Commodity Exchange turnover at that time.

Mr Smeeton was speaking at the City of London Banking Conference where he suggested that the capacity of the London gold market to absorb business provided one explanation of why the increased participation of central banks in the market had had only a

modest impact on the spot price.

He said that the bank believed that deposits from central banks with leading bullion houses in London had more than doubled in the past 18 months and that swaps activity had risen by at least half. But the central banks were not increasing the time for which their gold was invested. Very few were willing to put gold into the market for 12 months and half was invested for no more than three months.

"This means, given the long maturity of some of the forward sales programmes, that there is a considerable maturity mismatch in the market and this itself is a source of instability."

### COMMODITIES PRICES

#### BASE METALS

##### LONDON METAL EXCHANGE

(Prices in £/tonne unless stated otherwise)

Aluminium 99.7% purity (5 per tonne)

Close 1644-45 1680-81

Previous 1645-46 1680-81

High/Low 1645-46 1680-81

AM Official 1645-46 1680-81

Kerb close 1645-46 1680-81

Open int. 221,291

Total daily turnover 38,190

Aluminium alloy (5 per tonne)

Close 1385-85 1425-30

Previous 1385-85 1425-30

High/Low 1385-85 1425-30

AM Official 1385-85 1425-30

Kerb close 1385-85 1425-30

Open int. 3,769

Total daily turnover 1,544

Lead (5 per tonne)

Close 723-33 717-18

Previous 723-33 717-18

High/Low 723-33 717-18

AM Official 723-33 717-18

Kerb close 723-33 717-18

Open int. 31,733

Total daily turnover 7,740

Nickel (5 per tonne)

Close 8470-80 8590-95

Previous 8470-80 8590-95

High/Low 8470-80 8590-95

AM Official 8470-80 8590-95

Kerb close 8470-80 8590-95

Open int. 42,891

Total daily turnover 11,136

Tin (5 per tonne)

Close 6430-35 6450-55

Previous 6430-35 6450-55

High/Low 6430-35 6450-55

AM Official 6430-35 6450-55

Kerb close 6430-35 6450-55

Open int. 17,084

Total daily turnover 5,851

Zinc, special high grade (5 per tonne)

Close 1005-5 1000-5

Previous 1005-5 1000-5

High/Low 1005-5 1000-5

AM Official 1005-5 1000-5

Kerb close 1005-5 1000-5

Open int. 84,364

Total daily turnover 10,637

Copper, grade A (5 per tonne)

Close 2981-85 2758-59

Previous 2981-85 2758-59

High/Low 2981-85 2758-59

AM Official 2981-85 2758-59

Kerb close 2981-85 2758-59

Open int. 174,555

Total daily turnover 50,450

LME AM Official 5/5 rate: 1.5527

LME Closing 5/5 rate: 1.5590

Spot 1.5545 3 months 1.554 6 months 1.5512 9 months 1.5476

12 months 1.546

High grade copper (5 per tonne)

Close 131-30 131-30

Previous 131-30 131-30

High/Low 131-30 131-30

AM Official 131-30 131-30

Kerb close 131-30 131-30

Open int. 100,300

Total daily turnover 2,308,102

Previous close 385.20-386.60

Lowest bid 385.20-386.60

1 month 2.45 6 months 3.14

2 months 2.49 12 months 3.28

3 months 2.80

Silver (5 per tonne)

Close 345-05 347-75

Previous 345-05 347-75

High/Low 345-05 347-75

AM Official 345-05 347-75

Kerb close 345-05 347-75

Open int. 385,300

Total daily turnover 248,225

1 month 2.45 6 months 3.14

2 months 2.49 12 months 3.28

3 months 2.80

Gold (5 per tonne)

Close 385.20-386.60

Previous 385.20-386.60

High/Low 385.20-386.60

AM Official 385.20-386.60

Kerb close 385.20-386.60

Open int. 385,300

Total daily turnover 248,225

1 month 2.45 6 months 3.14

2 months 2.49 12 months 3.28

3 months 2.80

Gold (5 per tonne)

Close 385.20-386.60

Previous 385.20-386.60

High/Low 385.20-386.60

AM Official 385.20-386.60

Kerb close 385.20-386.60

Open int. 385,300

Total daily turnover 248,225

1 month 2.45 6 months 3.14

2 months 2.49 12 months 3.28

3 months 2.80

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High/Low 385.20-386.60

AM Official 385.20-386.60

Kerb close 385.20-386.60

Open int. 385,300

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1 month 2.45 6 months 3.14

2 months 2.49 12 months 3.28

3 months 2.80

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1 month 2.45 6 months 3.14

2 months 2.49 12 months 3.28

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1 month 2.45 6 months 3.14

2 months 2.49







## CURRENCIES AND MONEY

## MARKETS REPORT

## Sterling continues recovery from record low

By Philip Gawth

Sterling yesterday shook off the impact of a larger than expected trade deficit to continue its recovery off the record lows seen last week.

There were no news developments to explain the move, which was a mirror image of the slide on Friday which took place for no apparent reason. On a trade weighted basis sterling finished in London at 82.7, from 82.2. Against the D-Mark it finished at DM2.1949, from DM2.1842, while against the dollar it closed at \$1.559 from \$1.543.

Markets were generally very quiet, with the dollar remaining range-bound, and this setting the tone for trading across the board. With US markets set to shut down on Thursday for the Thanksgiving weekend, foreign exchanges look set to remain quiet in the short term. The dollar closed at DM1.4079, from DM1.4125. Against the yen it finished at ¥101.355,

from ¥101.33.

The D-Mark was little changed in Europe. Against the French franc it closed at FF2.448 from FF2.446.

Foreign exchange markets appear to have got bored with the budget tedium in the US, but have not found any other compelling themes to take its place. In the meantime, budget inertia looks set to weigh on the dollar, possibly for some time yet. President Reagan, for example, once went on signing spending resolution extensions for nearly a year.

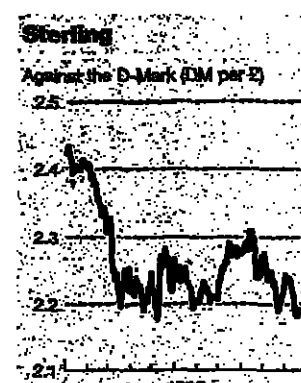
The announcement of a Bosnian peace deal was ignored by markets, which appeared to be resolutely in the grip of pre-Thanksgiving fever. Traders reported little evidence of cor-

porate business, while some investors are thought to have effectively shut down for the year already.

The area attracting most discussion currently in the markets concerns the outlook for German interest rates. Mr Steve Hannah, head of research at IBI International in London, said they believed "that the Bundesbank might be prepared to cut rates a lot earlier than the markets expect."

He said that recent survey and inflation evidence all pointed to the same picture "which is that monetary conditions are too tight. There is a reasonable chance that Germany may cut as early as next week," said Mr Hannah.

Ms Alison Cottrell, international economist at Faine Webber in London, said that this view had appeal on grounds of "interest rate diplomacy" - the view that while international considerations will not prompt



Sterling/D-Mark (DM per £)

Source: FT Data

A rate change, they can affect the timing, in order to obtain maximum political advantage.

"It is the domestic context which provides the motivation. If, but only if, the motivation is there, politics naturally affects the timing," said Ms Cottrell. Looking back to the timing of all Bundesbank moves in official rates since the start of 1993, Ms Cottrell demonstrates

an impressive correlation between these events and important international meetings, such as G7 gatherings, following soon after. On nine of the twelve occasions, a relationship can be established.

In this case, the timing issue revolves around the EU summit in Madrid on December 15-16, and the Franco-German summit in the preceding week. The feeling is that the Bundesbank would not want to change policy at the December 14 meeting, so close to the summit, and would anyway be preoccupied at that meeting with discussion of a new M3 target. This puts the spotlight on the November 30 meeting of the Bundesbank council.

Sentiment towards sterling appears to be less bearish than at the end of last week. Mr Hannah said sterling weakness had been a response to fears that the government might "over-egg the fiscal pudding". But he added: "If they cut

interest rates against the background of a tight budget and a cut in German interest rates, I don't think that will do sterling any harm."

Mr Carl Weinberg, chief economist at First Frequency Economics in New York, said that while he could see the "humanitarian" case for lower rates, the economic case did not currently exist. But if political exigencies require one, then "our problem is that we do not think the markets will react nicely to any of the choices available to the Chancellor," said Mr Weinberg.

In the daily operations of the Bank of England provided \$401m clearing towards clearing a \$650m money market shortage.

## WORLD INTEREST RATES

## MONEY RATES

November 21	Over night	One month	Three months	Six months	One year	Long term	Dis. rate	Repo
Belgium	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
France	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
Germany	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
Italy	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
Netherlands	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
Spain	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
Sweden	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
Switzerland	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
UK	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
US	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50
Japan	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5.00	3.50

## LIBOR FT London

November 21	Over night	One month	Three months	Six months	One year
Interbank Picing	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
US Dollar Cds	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
ECU Linked Cds	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
UK Dollar Cds	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Japan Cds	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2

## EURO CURRENCY INTEREST RATES

Nov 21	Over night	One month	Three months	Six months	One year
Belgian Franc	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Danish Krone	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
D-Mark	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
French Franc	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Portuguese Esc.	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Spanish Peseta	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Swedish Krona	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Swiss Franc	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
UK Pound	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Yen	4 1/2	5 1/2	5 1/2	5 1/2	5 1/2

## POUND SPOT FORWARD AGAINST THE POUND

Nov 21	Closing mid-point	Change on day	Bid/offer	Day's Mid	One month	Three months	One year	Bank of England
Europe	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Australia	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Belgium	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Denmark	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
France	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Germany	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Greece	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Ireland	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Italy	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Luxembourg	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Netherlands	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Norway	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Portugal	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Spain	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Sweden	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Switzerland	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
UK	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
US	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Japan	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
South Korea	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Taiwan	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Thailand	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Philippines	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Malaysia	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Singapore	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Indonesia	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Brunei	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Maldives	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Mauritius	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Reunion	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Mayotte	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Guadeloupe	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Martinique	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
St. Pierre & Miquelon	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
French Polynesia	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
New Caledonia	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Wallis & Futuna	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Vanuatu	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Tonga	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Samoa	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Tuvalu	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Niue	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Kiribati	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Tonga	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Samoa	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Tuvalu	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Niue	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1
Kiribati	15.4321	-0.0735	947 - 914	15.4591	15.3888	15.4127	2.4	107.1

1 Rate for Nov 20. Bid/offer spread in the Pound Spot table shows only the last two decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling interest calculated by the Bank of England. Base average 1990 = 100. Index rounded to 1995. All other and MDO rates in both the bid and offer spot tables derived from THE WIRE/FTS CLOSING SPOT RATES. Some values are rounded by the FT.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Three months Rate	One year Rate	Bank of Eng. Index	Nov 21	Closing mid-point	Change on day
%	%	%			
15.3541	2.3	-	107.1		
14.8339	2.7	104.089	2.4	106.7	
8.4815	1.1	8.4819	1.0	110.0	
5.5498	-	-	98.8		
7.5778	-0.5	7.5745	-0.1	110.8	
2.1604	2.6	2.1362	2.5	112.4	
-	-	-	96.9		
0.9676	0.3	0.9648	0.6	97.3	
1.9201	4.3	2.5878	2.5	109.5	
2.4408	2.7	2.44038	2.4	109.7	
2.6414	1.4	2.6595	2.5	108.8	
98.9714	-	1.9859	1.1	98.8	
3.9131	-0.3	-	96.8		
1.9845	-	194.645	-5.1	97.3	
10.1786	-0.2	10.1699	-0.3	97.4	
1.7546	4.3	1.7016	4.1	115.4	
-	-	-	82.7		
1.194	1.0	1.1855	1.0		
-	-	-	SD*		
-	-	-	UK†		
-	-	-	US†	0.8890	
-	-	-	Argentina (Peso)	0.9698	
-	-	-	Brazil (R\$)	0.9641	+0.001
2.1097	-0.6	2.1135	-0.3	94.5	
-	-	-	Canada (C\$)	1.5613	
1.5657	0.8	1.5454	0.9	82.8	
-	-	-	Mexico (New Pes.)	7.7101	+0.0
-	-	-	USA (R\$)	-	
-	-	-	Asia/Pacific/Middle East/Europe	-	
2.0965	-0.8	2.1102	-0.9	95.9	
2.0404	0.5	12.0088	0.4	-	
-	-	-	Japan (¥)	1.5414	-0.002
-	-	-	Hong Kong (H\$)	7.7336	+0.001
-	-	-	India (R)	34.8000	+0.0
-	-	-	Israel (S\$)	3.0722	-0.021
55.392	0.7	148.307	6.1	141.3	
-	-	-	Japan (¥)	1.5414	-0.002
2.4019	0.5	2.4275	-1.7	100.6	
-	-	-	Malaysia (RM)	2.5425	+0.001
-	-	-	New Zealand (NZ\$)	1.5930	-0.008
-	-	-	Philippines (P)	25.2500	+0.001
-	-	-	Saudi Arabia (S\$)	3.7501	+0.001
-	-	-	Singapore (S\$)	1.4169	-0.001
-	-	-	South Africa (R)	3.6460	-0.005
-	-	-	South Korea (W)	789.150	-4.8
-	-	-	Taiwan (T\$)	27.9150	-0.001
-	-	-	Thailand (B)	1.4169	-0.001
-	-	-	Thailand (B)	1.4169	-0.001

\* 1 SDN rate per 8 for Nov 20. Bid/offer spread.  
† SDN rate per 8 for Nov 20. Bid/offer spread.  
SDN = 100. Index rates not directly quoted to the market.  
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## LONDON STOCK EXCHANGE

## MARKET REPORT

## Earnings worries and placing talk hit equities

By Steve Thompson,  
UK Stock Market Editor

The FT-SE 100 index only just managed to cling on to the 3,600 level yesterday as another day of profits warning, increasing nervousness about Wall Street and rumours of several big placings combined to drive shares lower.

There was talk, late in the day, of a big stock placing in one of the leading banks. The market was also rife with suggestions that LVMH, the French luxury goods company, had sold its near 20 per cent stake in Guinness to Goldman Sachs, the US investment bank, via

a bought deal, a story denied by Goldman. Another wild suggestion was that Grand Metropolitan, the spirits group, had agreed to buy the stake.

It was also said that a block of around 20m Coats Viyella shares was on offer from a big US broker. At the close of one of the busiest trading sessions for many weeks, the FT-SE 100 finished a net 24.7 weaker at 3,604.1, while its junior index, the FT-SE Mid 250, moved in tandem, finally settling 25.6 off at 3,941.2.

The setback in the market was all the more worrying given that there were a number of strong performers among the leaders, notably Cable

and Wireless, driven by another burst of takeover speculation ahead of the shock news that both Lord Young, the chairman, and Mr James Ross, the chief executive, were leaving the company.

BT was another big Footsie winner, the shares romping ahead late in the session amid talk of big switching out of Vodafone, the market leader in the UK cellular market. US investors, which own 47 per cent of Vodafone, were said to be moving out of the stock after the interim results.

It was the latest profits warning, this time from De La Rue, the banknotes printer and paper group, that caused widespread dismay to a mar-

ket still reeling from warnings from Arjo Wiggins, Appleton, Rexam, Coler, BICC, and Ladbroke, among others. De La Rue shares went into a tailspin, plunging in excess of 20 per cent.

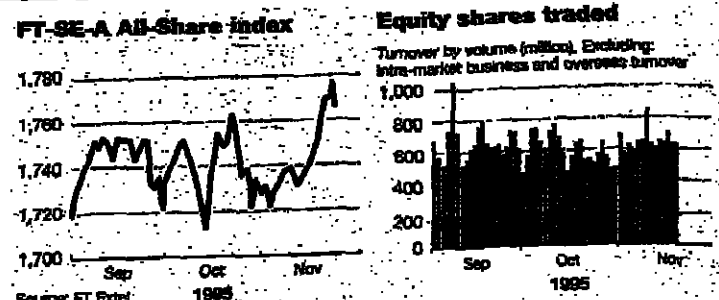
Wall Street's skittish performance overnight saw the Footsie open more than 16 points lower and the market never really recovered its poise. Apart from an early bout of cheap buying, dealers said that the action was almost all on the sell side and included some small-scale programme trade activity.

The Dow Jones Industrial Average opened easier yesterday but then rallied and regained the 5,000 level an hour after London closed.

Marketmakers said Wall Street's improvement, coupled with a firmer trend in bonds after hours could see London make progress at the outset this morning. They warned, however, that UK shares were already discounting interest rate reductions and a "good" Budget.

Turnover in equities reached 908.5m shares, the heaviest for some time, and was marked by a large number of tax-related trades in underperforming stocks such as BT, British Gas and Hanson.

There was again some big activity in the food retailers, which were hit by worries about the price war. Customer behaviour on Monday was worth £1.67bn.



Indices and ratios

FT-SE 100	3604.1	-24.7
FT-SE Mid 250	3941.2	-25.6
FT-SE 100 Dividend Yield	3.82	(3.80)

Best performing sectors

Tobacco	+1.3
Oil	+0.3
Breweries	+0.2
Gas Distribution	+0.2
Mineral Extraction	+0.2

Equity shares traded

FT Ordinary Index	2615.9	-31.7
FT-SE 100 Put Dec	18.59	(18.73)
FT-SE 100 Put Dec	3615.0	-15.0
10 yr Gilt yield	7.76	(7.78)
Long gilt/short yield ratio	2.10	(2.12)

Worst performing sectors

Paper, Pkg. & Printing	-4.3
Chemicals	-2.7
Textiles & Apparel	-2.3
Retailers, Food	-2.2
Biog. Med. & Health	-1.9

## Orange boost for BAe

British Aerospace soared to second place in the Footsie performance charts, powering ahead by 24 to 773p for a two-day advance of more than 5 per cent.

A buy note from Credit Lyonnais Laing combined with a general flow of positive good news to drive the shares higher. There were hopes for an early go-ahead for the Eurofighter project, plus renewed speculation that BAe's stake in the Orange mobile phones system would soon be at the centre of corporate activity.

BAe has 31.8 per cent of Hutchison Telecom, which runs the Orange system, and the shareholding is widely estimated to be worth around £20m. BAe has a market capitalisation of some £3.4bn.

## Telecoms active

Telecoms shares provided a day of almost non-stop high drama. The top management departures at Cable and Wireless were announced after the market close and the shares ended higher in 14m trading. BT racked up turnover of 45m and Vodafone, hit by US selling, saw 37m shares traded, the heaviest single day's activity since March this year.

Most analysts put a positive interpretation on the boardroom reshuffle at C&W. "This clears the air, although there could be some share price

## weakness in the short term."

said one leading telecoms analyst yesterday. The stock closed 9 higher at 429p.

In contrast, mobile phones group Vodafone fell 15 to 239p following interim results that disappointed some analysts and a briefing by the company which suggested that the Christmas selling season was proving tough going in the face of keen competition from rival groups.

A string of dividend-related deals was said to lie behind heavy trading in BT, which finished 5.5 better at 361.5p.

## De La Rue drops

Bank note printer De La Rue provided the day's biggest share price upset, tumbling more than 20 per cent in record breaking turnover, following a set of interim results that contained the group's second profits warning in eight months.

The statement sparked an immediate round of earnings downgrades, and brokers showed little mercy. Henderson Crosthwaite cut back its estimate for this year by 15 per cent to £1.45m. At the close the shares were deep into new low ground for 1995, off 182 at 718p in turnover of 11m.

Shares in spirits group Guinness closed 6 lower at 487p, after trade of 1.7m, with the group at the centre of a spate of rumours.

One story doing the rounds was that LVMH, the French luxury goods group, was looking to sell its 20 per cent holding in Guinness. Another tale suggested that the stake had been bought by Goldman Sachs, the US investment bank, and it was looking to

place the stock with a variety of institutions, though there was even a story suggesting the stake had been sold on to Grand Metropolitan.

LVMH sold a 4 per cent stake in Guinness last November, reducing it to the present 20 per cent. Under a cross-shareholding agreement, Guinness has a 24 per cent holding in Moët Hennessy, the LVMH cognac and champagne business.

One market specialist yesterday dismissed the talk as "fantasy", while another said: "The shares would have fallen by far more if this deal was about to happen." GrandMet gave up 8 to 434p.

In banks, Abbey National climbed 9 to 601p after saying that third-quarter market share rose substantially and retail margins strengthened.

Building materials shares came off steeply as investors took some of the profits built up in recent weeks. Redland, off almost 6 per cent, Blue Circle and BPS Industries led the way down.

The trigger point for the sell-off looked to be reiterated sell advice on BPS from BZW. The broker, which turned seller on BPS in October, is unhappy about plasterboard overcapacity in Germany, where the equivalent of housing starts are running some 20 per cent down this year. However, BZW remains firmly overweight on the sector as a whole.

Redland closed 17 lower at 352p, Blue Circle ended off 12 at 314p and BPS shed 10 to 818p. Among builders merchants, Wolsley retreated 9 to 440p, but timber specialist Meyer International added 3 at 383p ahead of today's interim results. British Land fell 14 to 381p after the group said it is raising £222.5m by placing 61.6m

shares to fund an acquisition of a portfolio of retail properties. It is the group's second equity issue this year. British Land is also taking full control of Broadgate Properties in central London.

The placing and open offer for every six ordinary shares at 370p a share. The offer is being underwritten by SBC Warburg and UBS.

International trader Inchcape fell 19 to 268p, continuing the derating that set in last week, following a profits downgrade by UBS. The shares, which stood at 430p earlier this year, have fallen 12 per cent in three days' trading.

Textiles leader Coats Viyella retreated 11 to 177p in 4.3m turnover, as rumours of a big share overhang swept through the market. A line of 20m shares was said to have been on offer.

Diversified industrial Powell Duffryn came off 9 to 564p for a two-day decline of 5 per cent. Bargain hunters used the opportunity of weakness in the market to buy hotels and leisure group Ladbrokes. The shares, the best performers in the Footsie, closed 4.4 ahead at 137p after trade of 4.1m.

Trading in hotels and restaurants group Forte was particularly busy, as vague talk of a possible bid from Granada Group surfaced. Several analysts dismissed talk of such a bid but before the shares had firm 4 to 276p in hefty volume of 11m.

Forte was the most active deal stock in the traded options sector, where the equivalent of 5m shares were traded, with the December 300 calls said to be the most active.

Shares in Granada, which reports preliminary figures today, eased 3 to 697p in general profit-taking. Pharmaceuticals stocks retreated after Goldman Sachs, the US investment bank, downgraded its recommendation.

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SmithKline Beecham "A" fell 14 to 690p, while Zeneca dipped 16 to 1291p following the change from "moderate outperformer" to "market performer".

Chemicals group ICI followed the market lower, falling 32 to 742p amid a general retreat by European chemicals stocks.

Food retailers came under pressure on renewed fears that the food price war was likely to intensify over the Christmas period.

There was heavy trading in Asda Group, the shares relinquishing 3 to 561p in volume of 28m. J. Sainsbury surrendered 3 to 574p in trade of 8.6m, while Tesco also fell 3 to 279p, with volume soaring to 13m shares.

Among second liners, Kwik Save weakened 9 to 582p, while Iceland Group finished 4 down at 150p.

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## FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFE) £25 per full index point (APR)

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3615.0	3615.0	-14.0	3625.0	3605.0	58	6404
Mar	3641.0	3641.0	-13.5	3645.0	3637.5	58	8921
Jun	3645.0	3645.0	-14.0				134

FT-SE MID 250 INDEX FUTURES (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3960.0	3960.0	-10.0			0	3200
Mar	4005.0	4005.0	-10.0			0	300

FT-SE 100 INDEX OPTION (LFFE) £3000 £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3450	3450	3580	3600	3350	3700	3800
Mar	3450	3450	3580	3600	3350	3700	3800

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

	Open	Sett. price	Change	High	Low	Est. vol.	Open int.
Dec	3425	3425	3575	3625	3375	3725	3775
Mar	3425	3425	3575	3625	3375	3725	3775

FT-SE 100 INDEX OPTION (LFFE) £10 per full index point

5.1	4075.4	4075.8	4083.9	-8.1
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 as a range of electronic and paper-based  
 EC2A 40L  
 Acturise 350 and the FT-SE Acturise industry  
 and the FT-SE Acturise AS-Share Index



# WORLD STOCK MARKETS

EUROPE									
Austria (Nov 21 / Fri)									
ATX	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Belgium/Luxembourg (Nov 21 / Fri)									
BELX	3,456.78	+45.67	3,411.11	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Denmark (Nov 21 / Fri)									
OMXC20	1,567.89	+23.45	1,544.44	1,567.89	1,567.89	1,567.89	1,567.89	1,567.89	1,567.89
France (Nov 21 / Fri)									
CAC40	2,345.67	+34.56	2,311.11	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67
Germany (Nov 21 / Fri)									
DAX	3,210.98	+56.78	3,154.20	3,210.98	3,210.98	3,210.98	3,210.98	3,210.98	3,210.98
Greece (Nov 21 / Fri)									
ATHEX	1,876.54	+18.76	1,857.78	1,876.54	1,876.54	1,876.54	1,876.54	1,876.54	1,876.54
Italy (Nov 21 / Fri)									
FTSEMIB	2,987.65	+43.21	2,944.44	2,987.65	2,987.65	2,987.65	2,987.65	2,987.65	2,987.65
Netherlands (Nov 21 / Fri)									
AEX	1,654.32	+21.09	1,633.23	1,654.32	1,654.32	1,654.32	1,654.32	1,654.32	1,654.32
Norway (Nov 21 / Fri)									
OSLO	1,234.56	+15.43	1,219.13	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Poland (Nov 21 / Fri)									
WSE	1,567.89	+23.45	1,544.44	1,567.89	1,567.89	1,567.89	1,567.89	1,567.89	1,567.89
Portugal (Nov 21 / Fri)									
BVL	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Spain (Nov 21 / Fri)									
IBEX35	2,345.67	+34.56	2,311.11	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67
Sweden (Nov 21 / Fri)									
OMXC20	1,567.89	+23.45	1,544.44	1,567.89	1,567.89	1,567.89	1,567.89	1,567.89	1,567.89
Switzerland (Nov 21 / Fri)									
SIX	3,456.78	+45.67	3,411.11	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Turkey (Nov 21 / Fri)									
BIST	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56

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EUROPE (Continued)									
United Kingdom (Nov 21 / Fri)									
FTSE100	4,567.89	+67.89	4,500.00	4,567.89	4,567.89	4,567.89	4,567.89	4,567.89	4,567.89
Finland (Nov 21 / Fri)									
HEX	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Ireland (Nov 21 / Fri)									
ISEQ	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Japan (Nov 21 / Fri)									
Nikkei225	12,345.67	+123.45	12,222.22	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67
Korea (Nov 21 / Fri)									
KOSPI	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Hong Kong (Nov 21 / Fri)									
HK35	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Singapore (Nov 21 / Fri)									
SEI	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Taiwan (Nov 21 / Fri)									
TSE	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Thailand (Nov 21 / Fri)									
SET	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Philippines (Nov 21 / Fri)									
SEI	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Malaysia (Nov 21 / Fri)									
FTSE	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Indonesia (Nov 21 / Fri)									
JKSE	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
New Zealand (Nov 21 / Fri)									
SEI	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
South Africa (Nov 21 / Fri)									
FTSE	1,234.56	+12.34	1,222.22	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56

INDICES									
	Nov 21	Nov 20	Nov 17	High	Low	1985	Low	Nov 21	Nov 20
Japan	13534.56	13501.13	13531.39	13531.39	13531.39	13531.39	13531.39	13531.39	13531.39
2nd Section (4/16)	13534.56	13501.13	13531.39	13531.39	13531.39	13531.39	13531.39	13531.39	13531.39
Malaysia	2138.6	2126.4	2119.7	2126.80	2126.80	2126.80	2126.80	2126.80	2126.80
KLSE Comp (4/16)	2138.6	2126.4	2119.7	2126.80	2126.80	2126.80	2126.80	2126.80	2126.80
Mexico	339.15	336.74	332.39	336.42	332.39	332.39	332.39	332.39	332.39
IPC (Nov 16/85)	339.15	336.74	332.39	336.42	332.39	332.39	332.39	332.39	332.39
Netherlands	942.32	914.92	901.4	1001.39	901.39	901.39	901.39	901.39	901.39
CBS Teleview/Ent (8)	942.32	914.92	901.4	1001.39	901.39	901.39	901.39	901.39	901.39
CBS All Star (8/8)	942.32	914.92	901.4	1001.39	901.39	901.39	901.39	901.39	901.39
Denmark	1457.71	1472.24	1459.44	1461.21	1459.44	1459.44	1459.44	1459.44	1459.44
Nov 4 (1/7/85)	1457.71	1472.24	1459.44	1461.21	1459.44	1459.44	1459.44	1459.44	1459.44
Norway	2565.01	4053.9	4012.26	169	2565.01	2565.01	2565.01	2565.01	2565.01
Oslo Bors (4/16)	2565.01	4053.9	4012.26	169	2565.01	2565.01	2565.01	2565.01	2565.01
Sweden	4070.07	4057.9	4037.7	218	4070.07	4070.07	4070.07	4070.07	4070.07
Stockholm 300 (4/16)	4070.07	4057.9	4037.7	218	4070.07	4070.07	4070.07	4070.07	4070.07
Switzerland	2243.57	2225.4	2202.81	107	2243.57	2243.57	2243.57	2243.57	2243.57
SIX (4/16)	2243.57	2225.4	2202.81	107	2243.57	2243.57	2243.57	2243.57	2243.57
Singapore	5200.5	5294.9	5303.18	1107	5200.5	5200.5	5200.5	5200.5	5200.5
SSI All-Share (4/16)	5200.5	5294.9	5303.18	1107	5200.5	5200.5	5200.5	5200.5	5200.5
South Africa	356.73	353.63	354.44	258	356.73	356.73	356.73	356.73	356.73
JSE All Share (4/16)	356.73	353.63	354.44	258	356.73	356.73	356.73	356.73	356.73
Thailand	1844.45	1858.38	1823.19	2322.22	1823.19	1823.19	1823.19	1823.19	1823.19
SET 100 (4/16/85)	1844.45	1858.38	1823.19	2322.22	1823.19	1823.19	1823.19	1823.19	1823.19
Taiwan	1257.31	1243.18	1248.51	1232.20	1232.20	1232.20	1232.20	1232.20	1232.20
TSE 200 (4/16/85)	1257.31	1243.18	1248.51	1232.20	1232.20	1232.20	1232.20	1232.20	1232.20
UK	1877.39	1881.40	1883.62	2017.22	1883.62	1883.62	1883.62	1883.62	1883.62
London 100 (4/16)	1877.39	1881.40	1883.62	2017.22	1883.62	1883.62	1883.62	1883.62	1883.62
USA	788.02	794.35	788.89	2367.20	788.89	788.89	788.89	788.89	788.89
Dow Jones Ind. Avg. (4/16)	788.02	794.35	788.89	2367.20	788.89	788.89	788.89	788.89	788.89
Germany	2281.2	2285.6	2282.3	2427.20	2282.3	2282.3	2282.3	2282.3	2282.3
DAX 100 (4/16)	2281.2	2285.6	2282.3	2427.20	2282.3	2282.3	2282.3	2282.3	2282.3
France	622.44	626.17	624.41	622.48	622.48	622.48	622.48	622.48	622.48
CAC 40 (4/16)	622.44	626.17	624.41	622.48	622.48	622.48	622.48	622.48	622.48
Italy	9452.09	9373.91	9267.90	10022.63	9267.90	9267.90	9267.90	9267.90	9267.90
FTSE 100 (4/16)	9452.09	9373.91	9267.90	10022.63	9267.90	9267.90	9267.90	9267.90	9267.90
Spain	454.05	451.3	456.34	519.18	456.34	456.34	456.34	456.34	456.34
IBEX 35 (4/16)	454.05	451.3	456.34	519.18	456.34	456.34	456.34	456.34	456.34
China	2342.06	2239.53	2225.64	2342.06	2225.64	2225.64	2225.64	2225.64	2225.64
Shanghai Comp (4/16)	2342.06	2239.53	2225.64	2342.06	2225.64	2225.64	2225.64	2225.64	2225.64
India	565.95	577.52	570.1	609.54	570.1	570.1	570.1	570.1	570.1
BSE SENSEX (4/16)	565.95	577.52	570.1	609.54	570.1	570.1	570.1	570.1	570.1
Japan	16394.32	16363.82	16511.15	16994.44	16511.15	16511.15	16511.15	16511.15	16511.15
Nikkei 225 (4/16)	16394.32	16363.82	16511.15	16994.44	16511.15	16511.15	16511.15	16511.15	16511.15

US INDICES									
	Nov 20	Nov 17	Nov 16	1985	Low	Nov 20	Nov 17	Nov 16	1985
Dow Jones	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Industries	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Auto	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Chemicals	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Electronics	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Food	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Health	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Insurance	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Media	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Oil	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Pharmaceuticals	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Real Estate	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Technology	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Transportation	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Utilities	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
Other	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09	4881.09
NYSE Comp.	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE Ind. Avg.	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 300	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 500	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 100	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 200	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 300	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 400	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 500	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 600	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 700	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 800	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 900	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1000	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1100	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1200	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1300	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1400	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1500	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1600	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1700	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1800	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 1900	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2000	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2100	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2200	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2300	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2400	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2500	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2600	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2700	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2800	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 2900	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3000	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3100	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3200	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3300	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3400	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3500	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3600	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3700	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3800	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 3900	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 4000	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 4100	514.82	520.12	518.40	520.12	518.40	518.40	518.40	518.40	518.40
NYSE 4200	514.82	520.12	518.40	520.12	518.40	518.40	518.40		



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4 pm close November 21

NYSE COMPOSITE PRICES

Table with multiple columns listing stock prices, volume, and other financial data for various companies on the NYSE.

AMEX COMPOSITE PRICES

Table with multiple columns listing stock prices, volume, and other financial data for various companies on the AMEX.

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4 pm close November 21

Large table with multiple columns listing stock prices, volume, and other financial data for various companies on the NASDAQ National Market.

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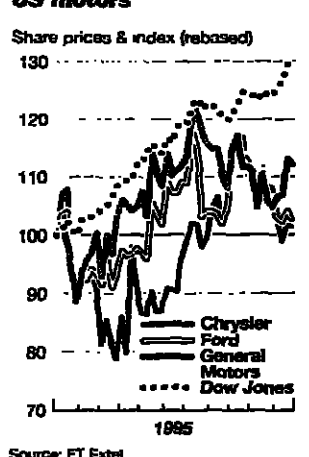
AMERICA

# Dow climbs decisively through 5,000

Wall Street

After trading in a narrow range for most of the morning, the Dow Jones Industrial Average moved decisively through the 5,000-point barrier just after 1 pm yesterday, renewing investors' hopes that it could make its first-ever close above that level, writes Lisa Branstetter in New York.

US motors



Yesterday morning the markets threatened a repeat performance as the Dow posted modest gains while the technology-rich Nasdaq composite slid.

Close to 1.30 pm the Dow was 26.37 stronger at 5,008.46. The Standard & Poor's 500, which breached its own psychological barrier of 600 on Friday but fell on Monday, was ahead 2.30 at 599.15. The American Stock Exchange composite, however, slipped 2.16 to 529.43. New York SE volume was heavy at 331m shares.

## Mexico City up 2.2%

Mexico City picked up after a sluggish start as the peso pared early losses, prompting bargain hunting among equities. The IPC index was 50.49 or 2.2 per cent higher at 2,399.95 in midday trade as hopes grew that stability in the peso might bring lower interest rates on Cetes, or T-bills, after eight consecutive weeks of rises.

Among the morning's big winners, Sider, the steel to tourism group, saw its L shares up 11.6 per cent.

SAO PAULO was still weak in mid-afternoon trade, but up from earlier lows, on continuing worries over a scandal con-

## S Africa retreats from highs

South African industrial shares dropped in listless trade in close off intra-day highs, dragged down by profit-taking after Monday's record close.

Dealers said small overnight losses on Wall Street also dampened industrials, while golds improved marginally, supported by a slightly firmer dollar price.

The overall index lost 7.3 at 6,045.4, industrials receded 31.0 to 7,881.5 and golds edged up 1.6 to 1,359.3.

Sappi, the paper group, was among the big losers, down 7

EUROPE

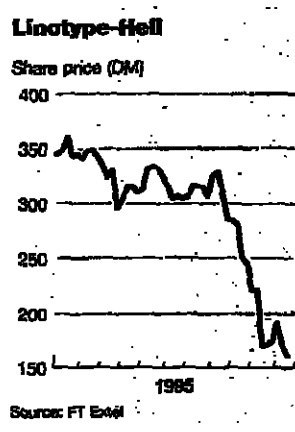
# Product price fears weigh upon chemicals sector

Chemicals stocks fell across Europe after the broker Goldman Sachs lowered its recommendations on five European majors: Hoechst fell DM3.90 to DM383.60, EVC and DSM F11 to F143 and F1450 to F1121.30 and Solvay BFR475 to BFR15,275, while Clariant held firm at SF1370.

Deutsche Morgan Grenfell, in a parallel analysis, said that customer inventory destocking was adding to pressure on bulk plastic prices and margins, that year on year prices had collapsed by 30 to 45 per cent and that, with the general expectation of further decline in December, they were seen testing levels reached in the 1993-94 trough.

FRANKFURT had one or two winners in cyclical, Daimler offsetting Hoechst with a DM6.55 rise to DM703.80 after the group finalised its Dolores plan to cut 8,800 jobs at its Daimler-Benz subsidiary. The Dax index closed just 2.11 points lower at an all-time high of 1,993.94.

Turnover eased from DM6.6bn to DM5.8bn. There was more trouble in second liners: a 23 per cent drop in nine-month profits at the hair care manufacturer Wella outweighed the accompanying



forecast of a DM60m to DM80m profits gain next year and the preference stocks dropped a further DM8 to DM720; and a loss forecast from the printing equipment maker Linotype Hell left it DM4.50 down at a 1995 low of DM156.

PARIS saw more profits taken than the CAC-40 index closing 8.47 off at 1,872.93 in turnover of FF3.2bn. AGF exemplified the day's theme, falling FF3.80 to FF162, although the insurer, which has been taking recently about paring down its industrial interests, refused to comment on talk that it might sell its 3.1 per cent stake in Pinault-Printemps-Redoute.

FT-SE Actuaries Share Indices

Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14
FT-SE Actuaries 100	1438.30	1438.35	1438.38	1438.34	1440.09	1440.10	1438.43
FT-SE Actuaries 200	1546.00	1547.25	1547.48	1548.32	1548.44	1548.38	1547.28

ZURICH remained at a high for the year but could find no incentive for another assault on its all-time peak, and the SMI index edged 1.7 higher to 3,183.9.

Nestlé, which holds its autumn press conference today, was actively traded, picking up SF2 to SF1,229. The shares were supported by speculation that Mr Helmut Maucher, the chief executive, might be about to step down from operational management and make way for a successor who would press harder to improve shareholder value.

Swiss Re firmed SF4 to SF1,286 as expectations grew for positive news from the annual shareholders meeting later in the week.

CS Holding was under pressure, losing SF2 to SF1,125, on various rumours, including expectations that it might be

THE EUROPEAN SERIES

Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14
FT-SE Europe 100	1465.26	1472.06	1472.37	1472.62	1474.40	1474.40	1474.40
FT-SE Europe 200	1552.86	1551.25	1551.25	1551.25	1552.86	1552.86	1552.86

about to announce an acquisition or that bad news was on the way over this year's earnings. UBS fell SF6 to SF1,220 and SBC eased SF14 to SF1,477.

AMSTERDAM's weakness in cyclical extended to the paper industry as well as chemicals, and it had problems elsewhere as the AEX index retreated 2.21 to 461.30. In papers, KNP BT dropped F1.60 to F1.40, hurt by a profits warning from De La Rue, of the UK; meanwhile, CSM, the food and biochemicals group, dropped DM2.60 to DM65.30 although its results, produced on Monday, were within the analysts' expected range.

STOCKHOLM had a flat day in aggregate, the Affärsvärlden General index easing just 0.06 to 1,728.3. However, there were contrasts in the forestry sector, up 1.1 per cent overall: Stora rose SKR3 to SKR61, but Assi-Doman declined SKR2.50 to SKR149.50 after it said that markets for key products were weakening, and that recent

FT-SE Actuaries Share Indices

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ASIA PACIFIC

# Nikkei flat as nickel find lifts Sydney mining issues

Tokyo

Shares were little changed after a day of profit-taking in high-technology. Demand for large-capital steel and shipbuilders, writes Emiko Terazono in Tokyo.

The Nikkei 225 index was up just 0.50 at 18,394.32 after a day's low of 18,250.90 and a high of 18,459.84. Investors were cautious following the previous three-day rise when the index gained more than 700 points. But while high-technology stocks were sold, a rise in the futures market prompted technical buying, while overseas investors purchased large-capital stocks.

Volume totalled 500m shares, against Monday's 421m. The Toxip index of all first section stocks lost 1.94 at 1,454.44 and the Nikkei 500 softened 0.49 to 272.77. Advances outscored declines by 560 to 501, with 166 issues remaining unchanged.

In London the ISE/Nikkei 50 index eased 0.14 to 1,238.72.

Overseas investors took profits on high-technology and semiconductor related shares following Monday's fall on Wall Street, while steel, shipbuilders and trading companies found demand. Nine out of the 10 most actively traded issues on the first section were from the three sectors, which were regarded as relatively undervalued.

NICK, the most active issue of the day, rose Y10 to Y285, while Nippon Steel followed, climbing Y9 to Y362.

Mitsubishi Heavy Industries, the shipbuilder, rose Y12 to Y320. Investors were encouraged by the company's earnings prospects for the current year to March, where its recurring profits were expected to increase by 18 per cent to a record Y165bn. Mitsui Shipbuilding put on Y7 at Y270.

Trading companies were bought on their involvement in the cable television network field and their growing presence in multiple joint ventures. Nissai Iwai, which has a stake in Nifty, a personal computer communications company, gained Y5 at Y505, while

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FT/SP ACTUARIES WORLD INDICES									
The FT/SP Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.									
NATIONAL AND REGIONAL MARKETS									
Country	Index	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14
Australia (ASX)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Canada (TSX)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
France (CAC)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Germany (DAX)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Japan (Nikkei)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
UK (FTSE 100)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
USA (S&P 500)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
World (FTSE World)	100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

## Hoechst AG

has successfully completed the disposal of its 77% interest in

**Schwarzkopf**

**Hans Schwarzkopf GmbH**

Deutsche Morgan Grenfell advised Hoechst AG on this transaction

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Fax: +49 69 17 00 818

Deutsche Morgan Grenfell

مكتبة الامم المتحدة